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POLICY RESEARCH NOTES: Published by the Economic Research Service, USDA,
and the Illinois Agricultural Experiment Station for professionals in Public
Agricultural and Food Policy Research, Teaching, Extension, and Policymaking.

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INTRODUCTION

The cost of Federal price and income support programs reached an all-time high of \$25.8 billion in fiscal year 1986 (Oct. 1, 1986 - Sept. 30, 1987). Partially as a result of these record outlays, and to economic conditions in the farm sector, changes are being proposed in agricultural legislation. One of the proposals currently under consideration is that of controlling production. This issue of PRN takes a closer look at what is implied in controlling agricultural production.

Jim Langley and Mark Newman look at the production control tools that are available to policymakers. Depending on how they are applied, tools, such as paid and unpaid acreage control measures, can have very different effects on the performance of a mandatory production control program. In the second article, Jerry Sharples and John Sullivan examine the world's response to two previous U.S. production control programs, one ongoing, the tobacco program, and one, the Payment in Kind (PIK) program, used just once in 1983. The third article, by Douglas Bowers, takes the long view in examining acreage reduction programs from 1933 through 1987.

These articles represent the research effort of agricultural economists and historians of the Economic Research Service. The purpose of Policy Research Notes is to highlight the research efforts of all who are involved in agricultural policy research. I invite those readers who have articles they would like to have considered for future publication to send them to either Dr. Robert Spitze or me.

The views expressed in the articles published in PRN are those of the author(s) alone and are not a reflection of the views of the United States Department of Agriculture.

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and Tom Fulton, Food and Agricultural Policy Branch, ERS, 1301 New York Ave., N.W., Washington, D.C. 20005-4788.

ANNOUNCEMENTS

Program Outline for National Public Policy Education Conference

Major topics for this annual conference set for September 14-17, 1987, Shawmut Inn, Kennebunkport, Maine, will include: (1) socio-economic trends changing rural America; (2) rural revitalization -- opportunities and policy issues; (3) international monetary flows, trade negotiations, and foreign agricultural development; (4) policy education and the policy process; and (5) role of values, beliefs, and myths in establishing policy.

For information concerning program and arrangements, contact Walter J. Armbruster, Farm Foundation, 1211 W. 22nd St., Suite 216, Oak Brook, IL 60521-2197 or Barry Flinchbaugh, NPPEC Chr., Extension Agricultural Economics, Waters Hall, Manhattan, KS 66506.

Continued Release of Farm and Food System in Transition Publications

A seventh installment of impressive leaflets has now been published from the National Cooperative Extension Project on "The Farm and Food System in Transition". (See Policy Research Notes, December, 1983, June, 1984, November, 1984, June, 1985, and December, 1985 for announcement of earlier issues). They are part of a series of some 63 papers designed to provide a comprehensive discussion of the U.S. farm and food system and related public policy issues expected to be on the agenda for the 1980's. Titles of this installment of papers are:

51. Michael J. Phillips. Technological Change and the Future of the Farm and Food System.
52. Howard R. Rosenberg. Getting Work Done: Labor Issues in the Food and Fiber System.
53. Roy R. Carriker and L. Tim Wallace. Water Policy and Our Nation's Farmers.
54. Marc A. Johnson and Kenneth L. Casavant. Transportation Policy and the Farm and Food System.
55. Robert F. Boxley. Separating Land Ownership and Farm Operation.
56. David Trechter, Ronald Meekhof, and David Freshwater. Credit Assistance Options for Agriculture.

The leaflets are planned for use individually or as sets by readers with specific interests and as a total collection for those seeking a general understanding of the system. Reproduction in whole or part, or adaptation for a specific audience, is encouraged as long as the project and authors are properly cited.

Sponsors of this worthy project are the Extension Committee on Policy (ECOP), USDA-Extension, Michigan State Cooperative Extension Service, and the State Cooperative Extension Service. For individual copies of the above papers or further information about this project, contact the Project Director, Jim Shaffer, Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824-1039.

IATRC Symposium on Elasticities in International Trade

The International Agricultural Trade Research Consortium is holding a symposium on elasticities in international trade at the Dearborn Inn in Dearborn, Michigan, July 30 - August 1. Deadlines: June 1 for accommodations, July 1 for registration. Papers will cover the following topics: Issues Associated with Estimates of Elasticities in International Trade of Agricultural Products; Elasticities in International Trade -- Theoretical and Methodological Developments; Econometric Techniques and Estimation Problems; Incorporation of Macro Variables in the Structural Model; Computable General Equilibrium Trade Models and Elasticity Estimates; Estimation of Transmission Elasticities; Market Share Models and Trade Elasticities; Import Demand Elasticities for Differentiated Beef Products; and Multicommodity World Agricultural Trade Model and Implied Elasticities.

Inquire about this symposium from Laura Bipes, Department of Agricultural and Applied Economics, 1994 Buford Avenue, University of Minnesota, St. Paul, MN 55108.

North Central Policy Research Committee Seminar and Future Workshop

The new North Central Policy Research Committee (NCR151) recently approved under the title, "Economic Consequences of Alternative Food and Agricultural Policies," met April 8-9, 1987, Chicago, for a one day seminar, organization, and planning for several future workshops. Topics focused on in this seminar included: Results and Implications of the Food Security Act of 1985 for Canada, U.S. Producers, and Trade; and Prospects for Policy Changes in 1987.

Succeeding the leadership of Marshall Martin, Purdue University, who has chaired the Committee's work for several years, are the following officers: Bob Spitze, University of Illinois, Chair; Willie Meyers, Iowa State University, Vice-Chair; and Jean Kinsey, University of Minnesota (on leave with Resources for the Future, Washington, D.C.), Secretary. Don Anderson, North Dakota, serves as the administrative adviser.

Planning is underway under the leadership of Jean Kinsey for a national workshop on Policy Issues Related to Food Consumption and Demand for September 21-22, 1987, either in Minneapolis or Washington, D.C.

Inquire about joining this Committee or about this upcoming workshop on Food Policy from any of above members listed.

NPPEC Releases Leaflets on Agricultural Policy Choices

Under the theme of "Policy Choices for a Changing Agriculture", the National Public Policy Evaluation Committee (NPPEC) has pursued a project examining nine factors considered to have significant impacts on the emerging structure and organization of U.S. agriculture: (1) economies of size, (2) technology, (3) capital, (4) risk, (5) domestic food consumption, (6) international trade, (7) land, soil and water, (8) production capacity, and (9) public policy. Camera-ready copies of the nine leaflets on these topics and related materials released April, 1987, will be distributed to a policy specialist in each state. The purpose is to generate informed discussion and feedback on desirable policy alternatives to influence the process of change.

Inquire about this national effort from Dennis R. Henderson, Department of Agricultural Economics and Rural Sociology, Room 229, The Ohio State University, 2120 Fyffe Road, Columbus, OH 43210.

New Center Established in California

A new University of California Agricultural Issues Center was established at Davis by the Regents of the University of California in 1985 and funded by the state legislature to address important issues facing California and western agriculture. The Center for the Analysis of Western Agricultural Issues (Agricultural Issues Center) conducts applied research and analysis of issues and extends its findings to agricultural organizations, state and federal agencies, interest groups active in the policy process, and the general public. The University-wide Center is interdisciplinary in nature which facilitates its analysis of complex multidimensional agricultural issues and their public policy implications. The Center Director is Harold O. Carter.

The California Assembly endorsed six priority areas of concentration for the Center:

1. International trade, with particular attention to its effect on economic stability and market development. Special emphasis is to be given to trade with Pacific Rim nations.
2. The effects of advances in productivity and technology on agriculture, with particular attention to social and economic impacts.
3. Natural resources, with particular attention to water, land use, and energy policies.
4. A heightened awareness of the role of various minority groups in agriculture and allied industries.
5. The impacts of national agricultural policies and of fiscal, tax, and monetary policies on agriculture in the West.
6. The implications of changing domestic and worldwide food consumption patterns on western agriculture.

Inquire about this new initiative and about a June, 1987, symposium on "Marketing California Specialty Crops -- Worldwide Competition and Constraints," from Carole Nuckton, Program Associate, University of California Agricultural Issues Center, Davis, California 95616.

Symposium on Liberalization of Agricultural Trade Between the U.S. and Canada

Jointly sponsored by the National Center for Food and Agricultural Policy at Resources for the Future and the C.D. Howe Institute, this symposium is designed to enable policy leaders from the U.S. and Canada to meet and discuss policy issues affecting agricultural trade between the two countries. The symposium will be held at the Spring Hill Conference Center in Wayzata, Minnesota from July 22-25, 1987. The fee is \$425 for overnight guests, \$275 for day guests, and a \$50 additional fee is added for late registration.

Inquire about this symposium from Linda Pierce, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036.

Winter Extension School Announced

The regular Winter Extension School for Extension specialists and agents in all disciplines of public policy education is now scheduled for January 25 to February 12, 1987, on the University of Arizona campus.

Inquire about the offering from Verne House, Montana State University, 210 Linfield Hall, MSU, Bozeman, MT 59717 (406/994-3511).

POLICY RESEARCH NEWS NOTES

Are U.S. Trade and Agricultural Policies Consistent

Although internationalism has increasingly characterized the U.S. economy, trade policy continues to reflect protectionism. This inconsistency is highlighted in a case study of the livestock and meat product sector. It is argued that the United States must assume leadership in coordinating the adjustment of trade policies among major trading nations to reflect this growing interdependence.

Inquire about this research and request a copy of a related paper, "Inconsistencies in U.S. Trade and Agricultural Policies Vis-a-Vis Its Major Trading Partners", from Jimmie S. Hillman and Merle D. Faminow, Department of Agricultural Economics, University of Arizona, Economics Building, Room 208, Tucson, AZ 85721.

Education for Public Decisions

An 18 hour module is under development, created to teach public policy education to extension agents and specialists. The publication date is December 31, 1987 and the NCSU will begin dissemination in the Spring of 1988. It should be particularly useful to policy specialists, personnel development officers, or professionals responsible for teaching public policy in leadership development.

Inquire about this effort from Verne W. House, 210 Linfield Hall, Montana State University, Bozeman, MT 59717.

NPPEC Proceedings Now Available for 1986

Increasing Understanding of Public Problems and Policies - 1986, proceedings of the 1986 NPPEC held in Denver, September, 1986, are now available. It includes topics concerning: balancing the budget, effects of agricultural and trade policies on the competitiveness of U.S. agriculture, human stress and adjustment in agriculture, and the Food Security Act of 1985 and public policy education for the future.

Request a copy of these proceedings from Farm Foundation, 1211 W. 22nd Street, Suite 216, Oak Brook, IL 60521-2197.

What's Behind Japan's Agricultural Protectionism

This inquiry focuses on the rationale and forces undergirding Japan's import policies, particularly rice. Agricultural protection in Japan is not unlike the policies implemented by the governments of most industrially advanced countries. Its purposes are similar and its administration is similarly confounding. The degree of protection is higher in Japan than in countries at a comparable stage of development and the difference reflects the particularly troublesome state of the Japanese agricultural sector.

Inquire about this study from Jimmie S. Hillman and R. A. Rothenberg, Department of Agricultural Economics, University of Arizona, Room 208 Economics Building, Tucson, AZ 85721, and request a copy of a related paper by the above authors entitled, "Wider Implications of Protecting Japan's Rice Farmers", March, 1985.

A Look at Agriculture in the U.S. and China

This study was undertaken to identify the complementary and competitive relationships between agriculture in the U.S. and China. Opportunities for trade will depend heavily on the aim and effectiveness of China's future livestock policies.

Inquire about this research from Desmond O'Rourke, Impact Center, Washington State University, Pullman, WA 99164-6210, and request a copy of a related publication, A Comparison of the Agricultural Sectors in China and the United States, 1986 (charge of \$2.50) from Impact Center, Washington State University, Pullman, WA 99164-6210.

Did Embargoes Affect Brazil's Soybean Industry

This inquiry focuses on major events which determined the size and growth of the Brazilian soybean sector during the 1970's. To a large extent, the analysis is historical and relies on data assimilated from public sources in the United States and information collected during interviews conducted in Brazil.

Inquire about this research and request a related paper, "Embargoes and the Emergence of Brazil's Soybean Industry", October, 1986, from Jimmie S. Hillman, Department of Agricultural Economics, University of Arizona, Tucson, Arizona 85721.

Policy Issues in the Soybean Industry in Brazil

This study focuses on the emergency of Brazil as a major soybean exporter and its effects on the agricultural sector of Brazil. Brazil's development into a major producer, crusher, and exporter of soybeans and soybean products fomented an agribusiness complex of major proportions during the 1960s and 1970s. The soybean industry policy, in many ways, has had impacts on parts of rural Brazil.

Inquire about this study and a related article, "Brazilian Soybeans: Agribusiness 'miracle'", reprinted in Agribusiness Vol. 3, No. 10. Spring, 1987, from Jimmie S. Hillman, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85721.

Macroeconomic Policy and U.S. Agriculture

Decisions made in our nation's macroeconomic policy arena can have profound effects on U.S. farmers and ranchers. The current financial crisis in U.S. agriculture has called considerable attention to the sensitivity and vulnerability of agricultural prices and income to changes in interest rates, the strength of the U.S. dollar, and economic growth rates at home and abroad. The importance of macroeconomic policy to U.S. agriculture can be seen in linkages between economic conditions in agriculture and the actions of fiscal and monetary authorities.

Inquire about this study from either Edward Bradley, Department of Agricultural Economics, University of Wyoming, Laramie, WY 82071, or Warren Trock, Department of Agricultural Economics, Colorado State University, Fort Collins, CO 80523, and request a copy of a related report, "Outlook for U.S. Agriculture Under Alternative Macroeconomic Policy Scenarios", August, 1986, from either author.

Rent Seeking and Trade

This investigation involves a model of international rent-seeking activities by producers in both exporting and importing nations. The model is applied to the winter vegetable trade between the United State and Mexico. An analysis is made of the attempts to form export/import coalitions. Reasons for these failures are given. Due to past failures to impede trade, essentially free trade in winter vegetables between the two countries exists.

Inquire about this investigation and a related article, "Rent Seeking in International Trade: The Great Tomato War", reprinted in AJAE, February, 1987, from Jimmye S. Hillman, Department of Agricultural Economics, University of Arizona, Room 208 Economics Building, Tucson, AZ 85721.

Papers on Agricultural Stability and Farm Programs

An Agricultural Policy Research Symposium on this subject was held at N.C.S.U. in Raleigh on May 7, 1987. Topics included issues of instability, storage, futures and options markets, and effects of programs on stability of particular commodities.

Inquire about these papers and their availability in a proceedings from Daniel A. Sumner, RFF, 1616 P St., Washington, D.C. 20036 or Dick Perrin, Department of Agricultural Economics, NCSU, Box 8110, Raleigh, NC 27695-8110.

Policy Implications of Changing Farming Structure

Farm operator characteristics were studied by analyzing relationships of nine economic and demographic factors to annual gross sales for a sample of Kansas farm operators. It was concluded that the use of a single measure, annual gross sales, to define the alleged emerging bimodal structure of U.S. agriculture has serious limitations and implications. It is argued that

multi-dimensional specification of current and emerging farm structures is essential to determine impacts of public and private programs targeted at the farm operator level.

Inquire about this research and request a copy of a related paper, "Farm Operator Characteristics: Implications for Policy", from Charles D. Lambert, Paul L. Kelly, and Barry L. Flinchbaugh, Department of Agricultural Economics, Waters Hall, Kansas State University, Manhattan, KS 66506.

Impacts of Farm Policy and Technological Change Is Focus of Report

Proceedings of a symposium sponsored by the University of California Agricultural Issues Center, June, 1986, on this important subject has now been published. The symposium and its proceedings were divided into five parts: (1) a look ahead at U.S. and world agriculture; (2) modeling policy scenarios; (3) responding to changes in the political, economic, and technological environment in (a) the cotton sector, (b) the dairy sector, and (c) the rice sector; (4) interrelations of government programs and California agriculture, and (5) institutional response to changes in agriculture.

Inquire about this effort and order a copy (charge of \$20.00) of the proceedings, Impacts of Farm Policy and Technological Change on U.S. and California Agriculture, or request a free summary report of the symposium from Carole Nuckton, Program Associate, University of California Agricultural Issues Center, UC, Davis, CA 95616.

What Biotechnology Research Means to Policy

An inquiry was made into research going on in various applications of biotechnology to the agricultural and food sector. As a part of the study, some key policy issues arising from this research were identified.

Inquire about this inquiry and request a copy of a related paper, "Some Policy Implications for Agriculture of Biotechnology Research", Staff Paper P87-7, February, 1987, from W. B. Sundquist, 218J Classroom Office Building, University of Minnesota, St. Paul, MN 55108.

Analysis of the Impact of Agricultural Support

This study examines various options for reducing the support to agriculture in major producing and consuming countries. The welfare implications are calculated as well as possible changes in production, consumption, and trade that might result if agricultural support is reduced.

Inquire about this study from Vernon Roningen, Room 624, 1301 New York Avenue, N.W., ERS-ATAD, Washington, D.C. 20005.

Price Policy Alternatives Examined

Questions about options and futures markets as alternatives in relation to agricultural commodity programs were examined in a symposium on "Options, Futures, and Agricultural Commodity Programs", May 27-28, 1987, Arlington, Virginia. Jointly sponsored by the Economic Research Service, USDA, the Commodity Futures Trading Commission, and the Farm Foundation, the symposium was part of a study on farmers' use of futures and options markets that was mandated by the Food Security Act of 1985. Topics discussed included: potential benefits of futures, options, and cash forward contracting for farmers; possible policies that operate through or increase farmers awareness of these markets; and research findings and needs in the area. Representatives from farm organizations, commodity groups, futures and options exchanges, the academic community, and government participated.

Inquire about this symposium and the availability of publications emanating from it from Richard G. Heifner, NED, ERS, USDA, 1301 New York Avenue, NW, Washington, D.C. 20005-4788.

Economic Contribution of Small Farms to the Agriculture Industry

This inquiry concludes that small farms, those grossing \$40,000 or less per year, account for a disproportionate share of farmland, buildings, equipment and inputs. Small farms are 72% of all farms. They own 29% of farmland, 32% of the value of land and buildings and 32% of equipment value. Small farms produce 11% of all gross farm product. Therefore, small farms help stabilize the agriculture infrastructure and hold costs down for larger producers.

Inquire about this effort from James D. Riggle, American Farmland Trust, 1920 "N" St., N.W., Suite 400, Washington, D.C. 20036, and order a related publication, Small is Bountiful: The Importance of Small Farms in America, (cost of \$6.50 per copy) from Ms. Melanie Wilson, American Farmland Trust, 1920 "N" St., N.W., Suite 400, Washington, D.C. 20036.

Analyses Relevant to the 1988 Wheat Program

Two major analyses were made for the U.S. wheat sector: 1) impacts of the Gramm-Rudman provision on 1986 returns of wheat producers; and 2) impacts of farm program alternatives in 1986 under a high and low export trade scenario. Reports have been issued and presented to policy makers.

Inquire about this study and request a copy of a related paper entitled, "Analysis of Wheat Target Price and Acreage Reduction Modifications for the 1988 Crop Year", presented to a U.S. House Hearing Committee, from Charles D. Lambert, Department of Agricultural Economics, Waters Hall, Kansas State University, Manhattan, KS 66506.

Effects of 1985 Farm Bill on Domestic Rice Markets

This investigation reviews prior farm legislation and supply and demand conditions in the U.S. rice industry. Analyses are made of the distribution of benefits and costs of the rice marketing loan provision on the domestic economy.

Inquire about this study from Michael Cook, Rice Growers Association of California, P. O. Box 958, Sacramento, CA 95804.

Impact Center Offers Variety of Policy Publications

Studies and conferences dealing with a wide range of policy and policy related topics are pursued by the International Marketing Program for Agricultural Commodities and Trade (IMPACT) at Washington State University.

Inquire about publications and proceedings available along with a price list from A. Desmond O'Rourke, Director, IMPACT Center, 104 Hulbert Hall, Washington State University, Pullman, WA 99164-6210.

North Central Regional Policy Publications Available

The North Central Regional Research Publication, No. 311, Consumer Demand and Welfare: Implications for Food and Agricultural Policy, edited by Jean Kinsey and a product of NC 169, was published by the Minnesota Agricultural Experiment Station in March 1986. The six sections were authored by eleven other authors from five universities and the USDA. One of the objectives of the publication is to help foster an appreciation of the importance of the demand side of the equation in developing American food policy. Among the findings and recommendations of the various authors are: 1) U.S. consumers pay \$7 billion annually in indirect costs (higher prices for example) to support existing food and agricultural policies; 2) The average U.S. household spends about \$182 per year in taxes to pay for farm subsidy programs and about the same amount for food programs for poor; 3) The best food assistance policy may be to reduce overall costs through broad economic policy changes, rather than to provide direct subsidy through food aid programs; and 4) Consumer demand is shifting toward increased convenience, quality, diversity and healthfulness in food selection, and this shift must be considered in developing farm policies.

Inquire about this work from Jean Kinsey (on leave), Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036, and order copies (charge of \$2.50) of the bulletin, Consumer Demand and Welfare--Implications for Food and Agricultural Policy, from the Communication Resources Distribution Center, Room 3, Coffey Hall, 1420 Eckles Ave., St. Paul, MN 55108.

Southern Regional Papers on Competitiveness Published

The Southern Extension Public Affairs Committee and the Southern Extension Marketing Committee, through a joint task force on international trade, has published the proceedings of their recent workshop (see PRN, issue 21, p. 3).

The purpose of the workshop was to provide staff and leader education on the competitiveness position of Southern Agriculture in the world economy and involved papers from economists, policymakers, and industry representatives.

Inquire about this education effort from Hal Harris, Department of Agricultural Economics, Clemson University, Clemson, SC 29634-3475, and request copies of the proceedings, The Competitive Position of Southern Agriculture in a World Economy, from the Southern Rural Development Center, Mississippi State University, Mississippi State, MS 39762.

Great Plains Conservation Program Evaluation

The Great Plains Conservation Program has been operational since 1957 when the first contract was signed. During 1985, the SCS assembled detailed information on GPLP in order to evaluate program effectiveness. Results show that the program has focused in excess of 90 percent of its resources to priority conservation problems. Even so, improvements can be made in several areas by refining policies and procedures to address conservation priorities and meet the goals and objectives of the Food Security Act of 1985.

Inquire about this evaluation and request copies of related reports, Evaluation of Conservation Technical Assistance, Part 1, National Summary; and Great Plains Conservation Program Evaluation, Part 1, Executive Summary from James A. Lewis, USDA-SCS Evaluation and Analysis, P. O. Box 2890, Washington, D.C. 20013.

Policy Aspects of Climate Forecasting Now Published

The National Center for Food and Agricultural Policy at Resources for the Future has just published the proceedings of the Seminar on Policy Aspects of Climate Forecasting, which was held last March in the nation's capital. The seminar brought together a range of professionals interested in the implications of new developments in short-term climate forecasting and in implications for policy, with a focus on agriculture. Papers included the state of the science of forecasting and on the economics and policy aspects.

Order of copy of this proceedings, Policy Aspects of Climate Forecasting (charge of \$11.50, prepaid check to Resources for the Future) from Richard Krasnow, Editor, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036.

A State Level Response to the Agricultural Crisis

This review finds that state government has only limited means to influence the future of farming. It focuses on Colorado which, along with a number of other states, has been considering options that would ease the financial burdens of farmers with over-leveraged loans. Such programs are generally not useful to agricultural producers adjusting to longer-run changes now underway.

Inquire about this review and request a related paper, "The Agricultural Crisis in Colorado: Causes, Future Prospects and State-Level Response Options," AR 86-1, April, 1986, from Warren Trock, Department of Agricultural and Natural Resource Economics, Colorado State University, Fort Collins, CO 80523.

The 1987 Cotton Program and Profits for Arizona Producers

This analysis concerns estimates of the profitability of full and 50/92 participation in each of the key cotton producing areas of the state. The profitability of "partnership" participation is also shown. Worksheets are provided.

Inquire about this effort from Harry Ayer, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85724.

Water Resources in the Southwest

This study brings to a single volume data relating to water stocks, uses, and institutions in order to isolate the facts and trends that underlie hydrologic, engineering, and economic realities for the region's future. The book addresses water quantity and quality issues along the Rio Grande/Rio Bravo watershed. It considers ground water as well as surface water, the relationship of water supply to disease, and the impact of rapid demographic change on water supply.

Inquire about this study from David Eaton, L.B.J. School of Public Affairs, Drawer Y, University Station, University of Texas at Austin, TX 78713-7450, and inquire about a related publication by Eaton and J. M. Andersen titled, The State of the Rio Grande/Rio Bravo: A Study of Water Resource Issues Along the Texas/Mexico Border, from the University of Arizona Press, 1616 Speedway, Tucson, AZ 85719.

THE ROLE OF ACREAGE CONTROL PROGRAMS IN U.S. AGRICULTURAL POLICY

Jim Langley and Mark Newman*

U.S. commodity programs have had a variety of stated objectives and effects on U.S. agriculture since their implementation in the thirties. However, their primary impact has been through support of prices against an inelastic demand to raise income.

The U.S. Government has used an array of programs to support farm prices and incomes. Supply control, in particular, acreage reduction, has been an important part of U.S. price support programs for major field crops. Other programs include nonrecourse loans and direct purchases of excess commodities, stock management activities, and export subsidies. The relative importance and implications of U.S. programs for excess supply in U.S. agriculture have changed over time.

This article outlines the role of acreage reduction programs as a supply control measure in U.S. agricultural policy. Issues discussed are the various types of acreage control programs, the relationship between acreage reduction and other commodity program tools, issues related to the implementation of acreage reduction, and selected alternatives.

Types of Acreage Control

Acreage reduction programs (ARPs) are the most common form of supply control for major field crops. ARPs are voluntary land retirement programs in which farmers reduce the portion of their base acreage that they actually plant to program crops. The Government usually announces an ARP when stocks are high. Although participation is voluntary, producers must participate if they wish to be eligible for nonrecourse loans and deficiency payments.

Participating producers are sometimes offered the option of idling additional land under a paid diversion program. A paid diversion program gives producers a specific per acre payment for each idle acre.

Crop acreage set-asides represent another form of supply control. Set-asides and ARPs are often considered synonymous, but the two are fundamentally different. ARP programs are crop-specific in that producers are required to reduce acreage from a specific crop base. Set-asides are not crop-specific in that they require a producer to idle acreage equal to a specified percentage of planted acreage. Set-asides are generally believed to be less successful in controlling production compared to ARPs, and, hence, have not been used in recent years.

Another acreage program, designed with the dual purpose of acreage constraint and soil conservation, is the Conservation Reserve. The Food Security Act of 1985 mandates that a specified number of acres be planted in the reserve for up to ten years on a bid basis. A major criteria for entering acreage into the Conservation Reserve is to reduce erosion. However, to the extent that

*Langley and Newman are agricultural economists with the Agriculture and Trade Analysis Division, Economic Research Service.

program crop area can be removed from production via the Conservation Reserve, less acreage would need to be removed through ARP or set-aside programs. Long-term acreage retirement programs tend to be more cost effective than short-term ARPs because diversion is concentrated on marginal land and because using bids allows the Government to pay only the amount necessary to retire land from production (Tweeten, 1979).

The remainder of this article concentrates on short-term ARPs and their relationships with other program tools. The tools discussed are nonrecourse loans, target price/deficiency payments, and paid diversion.

ARPs and Price Support Operations

The need for acreage reduction programs arises in part as a side effect of Commodity Credit Corporation price support activities. Nonrecourse loans support farm prices through crop forfeiture to the Government if market prices fall below the loan rate. Whenever farm prices are supported above longrun equilibrium levels, Government stocks tend to accumulate to excessive levels.

ARPs have often been used to control production and to draw down stocks, as shown in figures 1 and 2 for wheat and feed grains, respectively. During the mid-seventies, Government stocks were low and there were no acreage reduction programs. However, as world demand growth slowed in the early eighties, wheat acreage continued to increase and feed grain acreage remained stable. As a result, stocks accumulated to record proportions until, in 1983, the largest acreage reduction to date was offered. As a further means of reducing stocks, producers in 1983 were given Government-held grain as "payment-in-kind" for diverting acreage.

ARPs may be viewed as one means of supporting prices by reducing production. Because demand for agricultural commodities is inelastic, and in the absence of large stocks to offset reductions in production, relatively small reductions in supply should result in significant increases in price. However, when prices are resting on the nonrecourse loan rate, acreage controls may not enhance prices and incomes, but may reduce stock accumulation and Government costs.

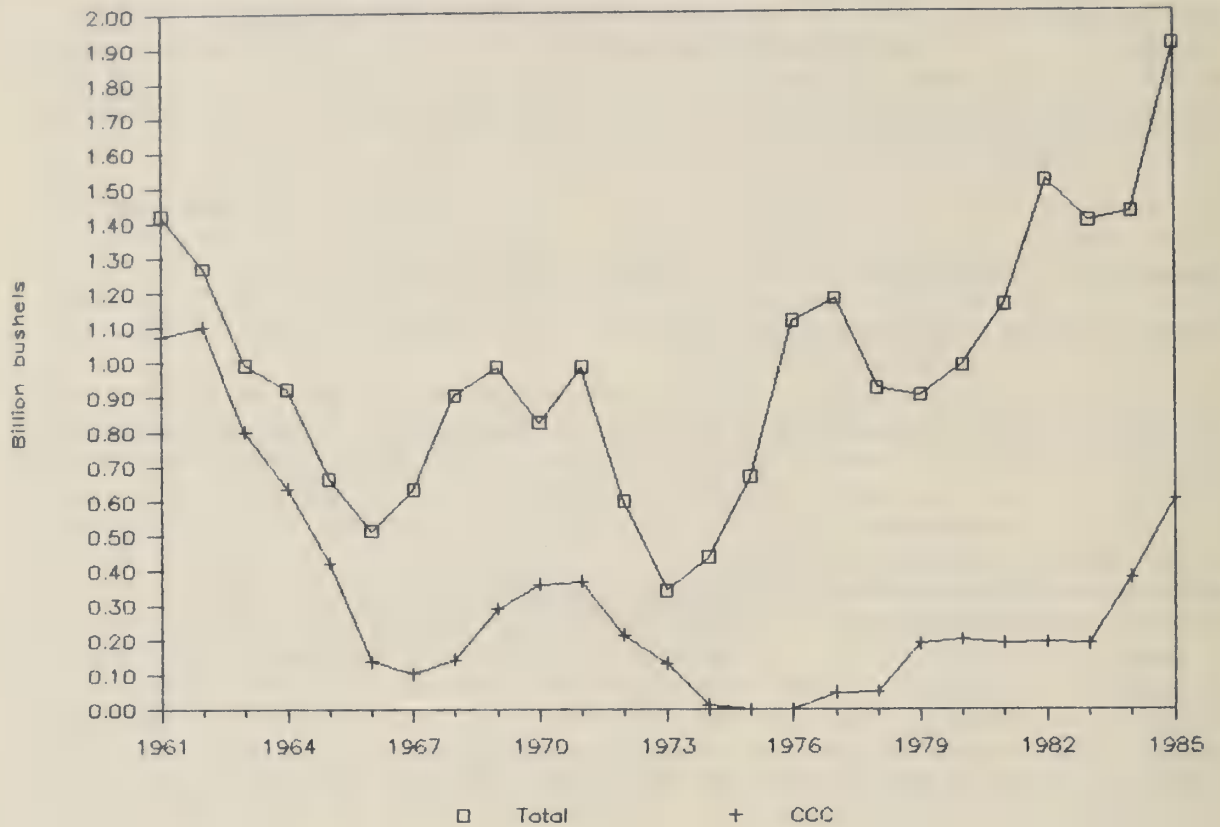
ARPs and Deficiency Payments

The target prices for wheat, feed grains, cotton, and rice, are used to calculate deficiency payments, so called because the payments make up the difference between the established target price and the higher of either the average market price during a portion of the year, or, the national average loan rate. Eligibility for deficiency payments and other price and income support benefits requires compliance with announced acreage reduction or other supply control programs.

Deficiency payments are not costless to producers. If producers must idle a portion of their cropland in order to be eligible for payments (as when there is an ARP), then a portion of the deficiency payment may be viewed as compensation for removing acreage from production. The remainder of the deficiency payment in excess of what would have been required to encourage program participation remains an income supplement to eligible producers.

Figure 1.

Wheat: Total and CCC stocks



Wheat: Planted and diverted acres

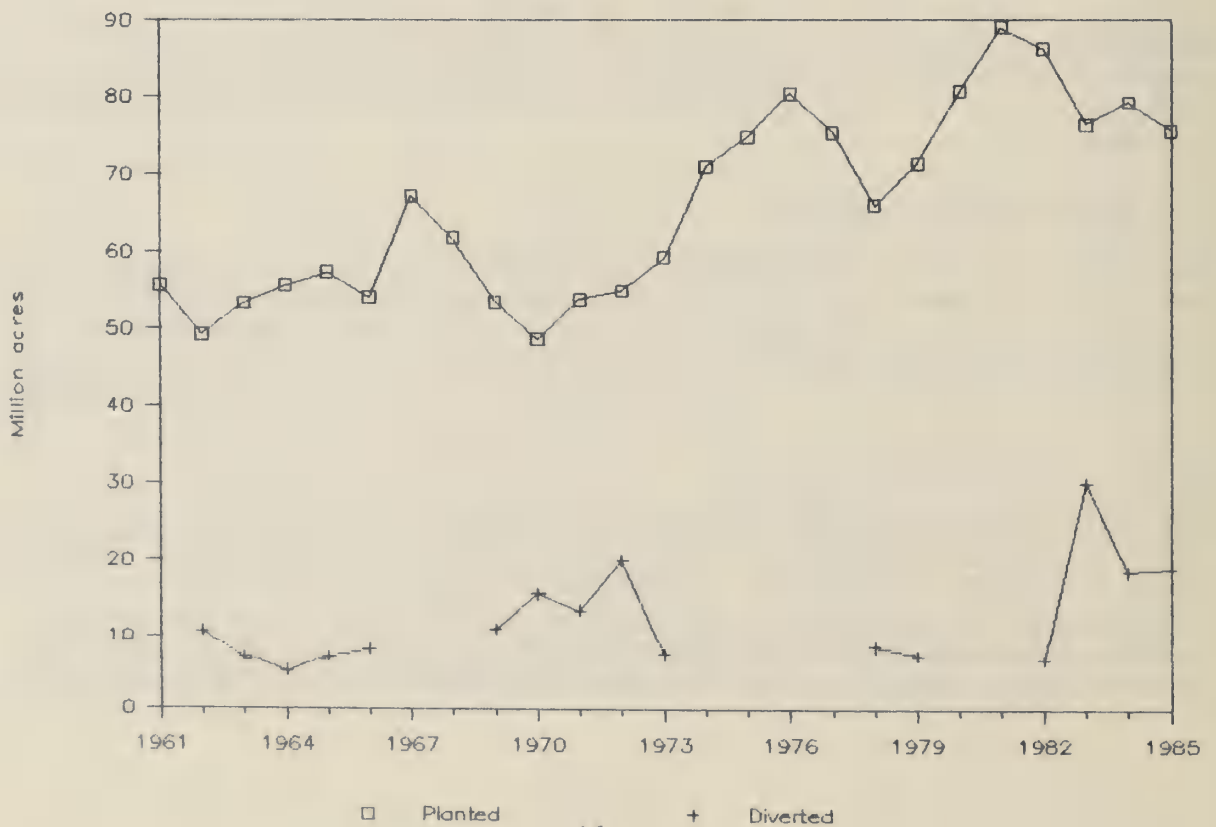
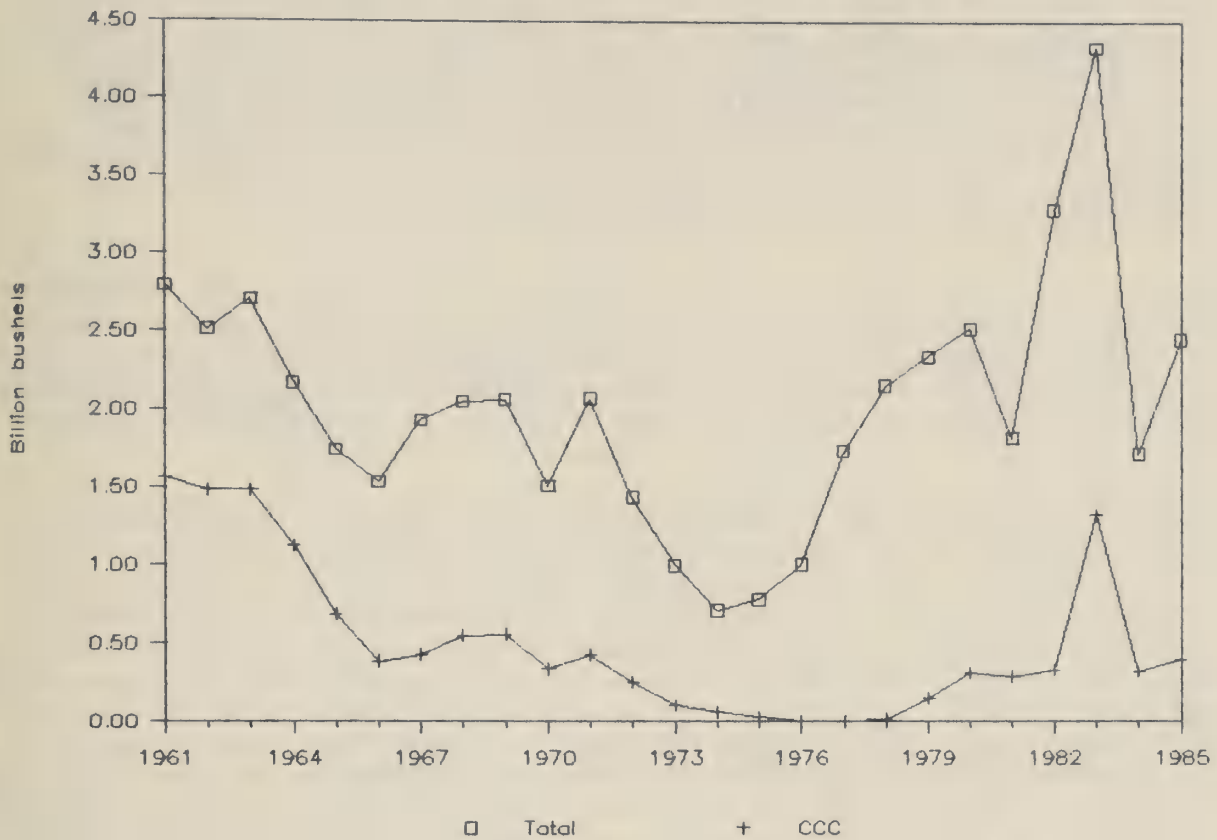
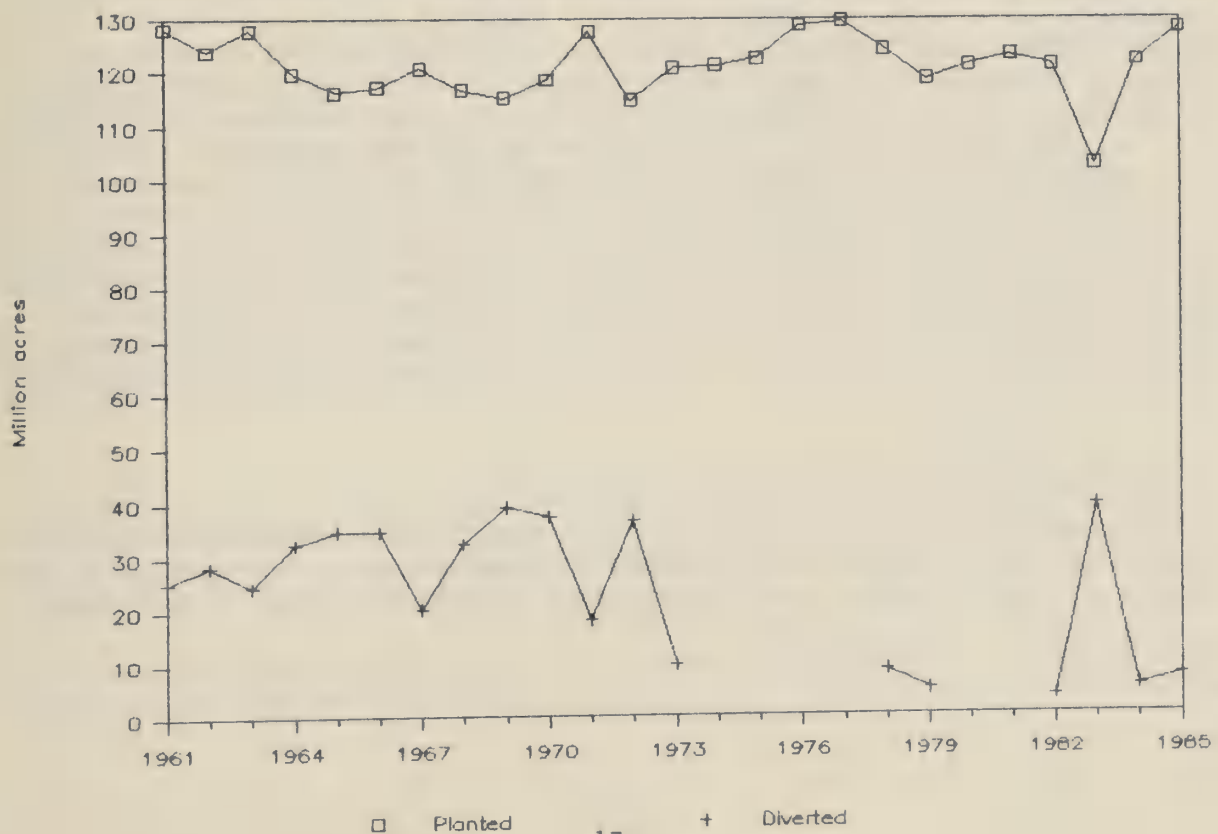


Figure 2.

Feed Grains: Total and CCC stocks



Feed Grains: Planted and diverted acres



The breakdown of a deficiency payment between an income supplement and an acreage reduction payment depends on the percentage of acreage reduction required, the expected income forgone by producers from reducing production, the size of the expected deficiency payment, and the presence of a paid diversion program. Other things remaining the same, the incentive to participate in an ARP will tend to be reduced by a larger acreage reduction requirement, a smaller expected deficiency payment, a smaller diversion payment, or a lower cost of production on idled acres.

The participation requirement also affects the international implications of deficiency payments. Foreign competitors often claim that target prices and deficiency payments act as export subsidies because deficiency payments appear to encourage production and lower prices. However, when ARPs are in effect, expected deficiency payments encourage producers to reduce acreage which in turn reduces production, increases prices, and reduces exports.

Target price impacts can be seen graphically in figure 3. Assume a U.S. target price is set at OB. The loan rate is assumed to be below the world price level OA so that it has no direct impact upon the world market. The relevant U.S. supply curve (assuming no acreage reduction or other supply control program is in effect) is vertical at quantity OG as long as price is below the target price, and it follows the usual supply curve at prices above the target price. The slope of the excess supply curve (XS) in the world market also changes with the imposition of a target price, with the relevant curve now being RTXS. By defining OB to be a target price rather than a loan rate (price floor), the world price falls from OA to OM, U.S. exports increase from OY to OZ, production in the rest of the world decreases from OH to ON, and price falls from OA to OM. A target price set below the world market level would not tend to have an export expansion effect.

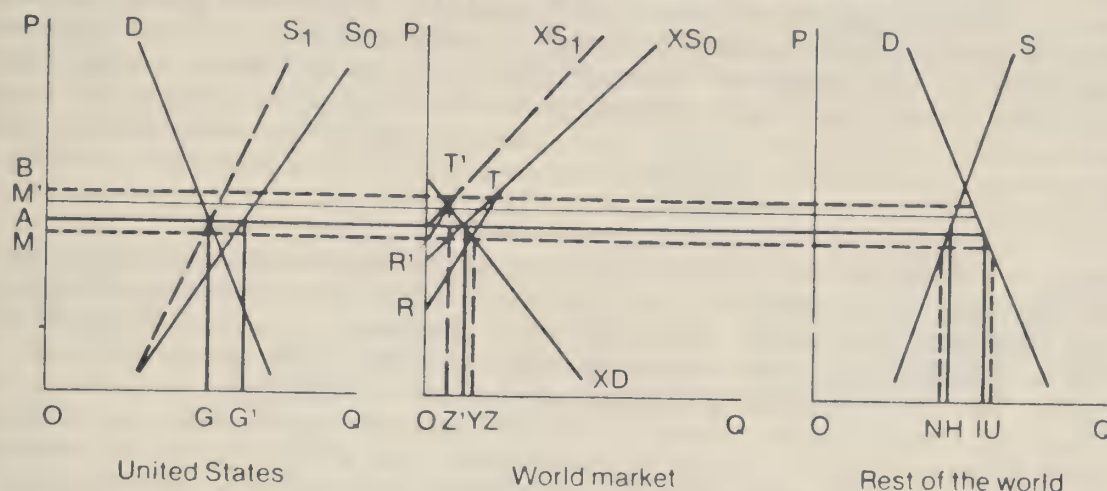
Now suppose in addition to a target price program, the United States also implements an acreage reduction program. Assuming 100 percent participation in the program, the U.S. supply curve would shift back from S_0 to S_1 (a decrease in supply), causing a corresponding shift in the excess supply curve in the world market from RTXS to R'T'XS. World price increases to OM' with U.S. exports falling to OZ' and production in the ROW increasing from ON to OH. Hence, even with a target price, an acreage reduction program could reduce domestic production by a sufficient amount to increase world prices and reduce U.S. exports. However, this may not be the case if there is either low participation in the voluntary program or a relatively high rate of slippage in the program (i.e., acres reduced do not equal the required percentage). If participation is less than 100 percent, then the vertical segment of the U.S. supply curve below the target price would pivot towards the left, depending on the rate of participation.

Issues in Implementing ARPs

Attempts to control surplus production of major field crops generally have relied on control of acreage. However, acreage reduction programs have been costly and inefficient. The effectiveness of ARPs is offset by increased

Figure 3.

Domestic and international implications of a target price combined with an acreage reduction program in the United States



plantings on unrestricted acres, idling of lower yielding land, payments to farmers in excess of the minimum they would accept to idle land, and by slowing downward adjustment in land prices as a consequence of technical change (Ericksen and Collins, 1985).

Land is the principal and limiting resource in agricultural production. However, reducing acreage does not necessarily result in a proportional reduction in production. This discrepancy is often referred to as "slippage."

Slippage can be defined in terms of acreage or production. Acreage slippage is when harvested acres change less than the change in idled acres. A major source of acreage slippage is generally attributed to nonparticipants in Government programs. The Food Security Act of 1985 recognizes that participants in Government programs usually underplant their permitted acreage by around 8 percent--hence, the 50/92 provision which allows producers to comply with acreage requirements by planting between 50 and 92 percent of their permitted acreage. Nonparticipants, on the other hand, are not required to reduce acreage of a program crop. If nonparticipants believed that sufficient acreage of a crop would be diverted to sufficiently increase price, they might increase their own acreage planted to the crop so as to enhance their own income potential.

Early efforts at acreage reduction did not place strict limits on the use of the diverted land. Hence, acreage diverted from one crop often was used to produce another crop, with little change in total harvested acreage. Current regulations restrict the use of diverted acreage so that substitution of commodities is negligible.

Production slippage is when production changes less than the change in idled acres. Other than nonparticipants, the primary reason for production slippage

is from changes in yield. As Brandow (1971) points out, it was once believed that per-acre yields increased so much under acreage restrictions that control was largely offset. Crop yields are known to have increased over time for technological reasons entirely apart from the effects of controls or price supports. Christensen and Aines (1962) compared production practices and crop yields of participants in control programs with the practices and yields of nonparticipants, to show that acreage controls as such had at most a small effect in encouraging farmers to apply more fertilizer or otherwise increase yields. Bond and Umberger (1979) and Jagger (1986) offer more recent evidence that acreage controls for wheat do not have significant positive impacts on yields.

Acreage restrictions can influence yields in ways other than influencing the level of input use. Farmers will generally enroll their least productive land in the program. By taking less-productive land out of production, the national average yield will increase. Weisgerber (1969) found that, on average, land removed from production to be 80 to 90 percent as productive as the land in crops. Lower productivity of diverted land is not necessarily a program defect, for it is usually consistent with efficient use of resources (Brandow, 1971). Also, when land is attracted to diversion programs on a bid basis (as in a longterm Conservation Reserve), the cost of attracting an area into the program probably is lower when the producer sacrifices less by enrolling the less productive acre.

Ericksen and Collins (1983) estimate slippage to be around 0.35. That is, for every percent reduction in acreage, production is reduced around 0.65 percent. Participation tends to be higher in cotton and rice programs than in wheat and feed grain programs. Hence, the problems attributed to nonparticipants should be less for cotton and rice.

Alternative U.S. Policy Proposals

The Food Security Act of 1985 will remain in effect for the remainder of the decade unless Congress passes additional legislation. There are several proposals being discussed which would alter the 1985 Farm Bill. Two proposals, which represent the two extremes of acreage controls, are mandatory production controls and movement to a free markets. Mandatory controls would address to some extent the effects of nonparticipants on ARPs. Free markets would remove all production restrictions and rely on the market to deal with surplus production. A current proposal directed at moving towards free markets involves "decoupling" price and income supports from acreage requirements.

Mandatory controls

Mandatory controls in general can refer to programs including supply management, marketing quotas, acreage allotments, or production controls (Tweeten, 1979). Mandatory controls are often proposed as a means of reducing the excess production and stock accumulation which often accompany relatively high price supports. A typical mandatory control program would require all producers, subject to a national referendum, to reduce their acreage a sufficient amount to raise domestic commodity prices to 70 to 90 percent of parity. The United States has traditionally relied on voluntary participation

in supply control programs, using deficiency payments and other program benefits ~~as~~ incentives.

A mandatory production control program would increase income to crop producers. Many claim that government costs would also be reduced, because deficiency payments would not be used as participation incentives. Increase in farm income would result from significant price increases--as much as 130 percent above support levels in current legislation--contained in many mandatory control options.

Supporting farm income by increasing commodity prices imposes a regressive tax on consumers. Lower income consumers must spend a larger proportion of their income on food purchases. This is in contrast to other options of supporting farm income by government payments from general tax revenues (such as a target price/deficiency payment program), which tends to be more progressive in incidence. Since food costs are a significant component of the CPI, higher food prices are translated into inflationary pressures for the rest of the economy.

If mandatory controls lead to higher commodity prices, foreign consumers can be expected to reduce their purchases. Exports would fall and barriers would have to be set up to control incentives to import commodities into the United States. Supply response by competing nations would be expected to increase. Maintenance of export levels would require significant subsidies to offset higher commodity prices, increasing Government expenditures.

Livestock producers would react to higher feed costs by eventually reducing their herd size. Over time, reduced livestock slaughter would lead to higher meat prices for consumers. It is also possible that livestock producers as a group might experience somewhat higher incomes as livestock supplies were reduced.

Mandatory controls, by definition, reduce individual farmers freedom in making their own production decisions. This is true even if controls have been voted on by a majority of producers in a referendum. Mandatory controls are difficult and expensive to administer. It would be difficult, for example, to determine if and how much production in excess of the control level would be marketed through livestock. Regional production patterns could be frozen in place when controlled, preventing shifts associated with potential efficiency gains.

Some analyses suggest that more than half of the United States' productive cropland would need to be idled in order for mandatory production controls to reduce production sufficiently to reach price support objectives. Removing such a large portion of land from production would reduce demand for fertilizer, farm machinery, and other farm inputs.

"Decoupling"

Despite recent acreage reduction programs of as much as 35 percent, stocks of program commodities continue to grow. One view of the causes of this phenomenon is that farmers are still provided strong incentives by the 1985 Farm Bill to continue producing surplus commodities. Receipt of government

program benefits is tied to farmers continuing to maintain a certain level of acreage in program crops. If farmers could receive government benefits without having to maintain recent production levels of program crops, it is argued, greater efficiency would be achieved.

Decoupling in its various forms attempts to achieve more efficient production and improved export competitiveness. A key component of decoupling proposals is that producers receive a transitional income support payment regardless of what commodities they plant. Hence, government program benefits are "decoupled" from the current system of basing payments on historical crop acreage levels. Producers are eligible for program benefits even if they leave their land idle (assuming appropriate conservation practices are followed). Producers then make their planting decisions based on their perception of market expectations rather than on government payments. The transitional payment declines to zero over a 5-10 year period, which would greatly reduce the government's role in agricultural markets.

Some decoupling proposals eliminate current acreage reduction programs, freeing all acreage for production. The possible implications of a decoupling option are as follows. Acreage planted and, hence, production, would likely increase as acres previously in acreage reduction or other supply control programs came back into production over time. This acreage would probably go into program crops while producers adjusted to the new program and before the transitional payments began to decline.

Lower price support levels would allow market prices to decrease. Foreign and domestic consumers would increase their quantity demanded, which would bolster prices received by farmers over time. For an individual producer, longrun average variable cost of production would represent a lower bound on the level of commodity prices at which they could remain in production.

Since the incentive structure would no longer be tied to a particular crop, producers would attempt to reorganize their production practices so as to plant the mix of crops that would maximize their farm's income. As the influence of Government programs began to wane, producers could face greater market uncertainty. This could lead to increased reliance on diversifying the mix of farm enterprises, and on crop insurance, commodity options, etc., to deal with market fluctuations.

Mandatory control options are often supported on grounds of preserving the current structure of agriculture. A pure decoupling option would preserve the most efficient producers. There is no clear-cut consensus as to what type of farm operation might prove to be most efficient in the absence of government programs.

Since producers under a pure decoupling scheme would be allowed to plant whatever crop they expected to be profitable, there could be spill over effects on current producers of nonprogram crops. Nonprogram crops have to some extent been shielded from program crop producers for many years.

Another significant difference between mandatory controls and decoupling is in their effects on asset values. Producer benefits of mandatory controls are likely be capitalized into land values, creating an additional barrier to

entry into the farm sector. If it is true that government program benefits (a positive sum) have been capitalized into land values, then removing those programs under a pure decoupling scheme would cause the value of land and other fixed assets to decline in the short run.

Many suggest that a mandatory control scheme would adversely affect agribusiness firms by removing large portions of land from production. There is no clear research as to how much land would remain in production in a free market. Hence, the impact of decoupling or the ultimate attainment of a free market on the input industry is not clear cut.

Concluding Thoughts

Because of rapid technological progress, efficient production techniques, and Government price and income incentives, the United States has had a long history of dealing with surplus production. Most emphasis in dealing with U.S. domestic surpluses has been on acreage control and stock management; however, in addition to P.L.-480, U.S. policy has contained export sales and promotion incentives.

Mandatory controls and "decoupling" represent only two general types of commodity programs currently being discussed. They represent very diverse responses to the seemingly persistent problems of excess production and high government program costs. Whether either option, or some other approach, will be taken remains to be seen. History does not tend to support abrupt changes in farm programs. Yet, the U.S. political system insures that a compromise among many competing interests usually wins out in the long run.

Effectiveness of acreage reduction options in achieving stated goals and objectives are closely related to the responses of producers and policy makers in other nations. Success in pursuit of U.S. objectives of freeing markets during the current Uruguay Round of multilateral trade negotiations is linked to domestic policy reforms in the United States and abroad. Likewise, success of U.S. policy reforms is related to policy reforms in competing and customer nations.

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U.S. AG PRODUCTION CONTROL: HOW OTHER COUNTRIES RESPOND

Jerry A. Sharples and John Sullivan*

INTRODUCTION

This note examines some recent history of how other countries have reacted when the United States imposed agricultural production controls. Two types of commodity production control programs are examined. The first relates to annual commodity programs (e.g., wheat, feed grain, and cotton programs) where the magnitude of production control varies considerably from year to year. The second is the long term program that tightly controls production every year.

In both cases, the difficulty of obtaining concrete evidence of cause and effect relationships must be acknowledged. Many factors are considered in production decisions, in any country. The information presented here can only suggest possible correlations.

For this analysis, the focus is on the reaction of other countries. The United States has traditionally used annual acreage control programs to limit output whenever domestic carryover stocks (and global stocks) of grain or cotton exceeded reasonable levels. Farm policy analysts debate the issue of how other exporting countries respond to these short run output control programs. Do they tend to cooperate by also cutting production to reduce global surpluses? Do they take advantage of the U.S. cutback and increase production and exports? Or do they ignore these year-to-year changes in U.S. farm programs?

The issues relating to long term production control are different. Some farm spokesmen are proposing the use of long term, strict, production control of the major agricultural commodities as a way of boosting prices. The big trade issue here relates to how other countries would respond in the longer run. Would the United States lose substantial market share over a period of 5, 10, or 20 years as exports by competitors increased? Or are production and trade by other countries unresponsive to external price signals, and thus unresponsive to U.S. production control?

The purpose here is to address these issues by briefly drawing on recent experiences with U.S. production control. The annual production control issues are addressed by evaluating how other exporting countries reacted to the large production control programs in 1983, known as payment-in-kind (PIK). The U.S. tobacco program over the last 40 years provides insights into long run impacts of production control on competitiveness of the U.S. relative to other tobacco exporting countries. Inferences are drawn for other commodities. 1/

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1/ There are more quantitative studies currently underway in ERS that are examining the expected market impacts of mandatory long term control of output of major agricultural commodities.

Production control is not a policy objective. It is an instrument used to achieve other objectives -- the main one being higher producer prices, which is associated with higher producer income. Producers likely think of production control as a necessary evil that must accompany price supports in order to prevent surplus production. In the context of U.S. farm policy it is appropriate to think of price supports and production control as two closely linked instruments of one policy. Thus when we examine the implications for other countries of U.S. production control, we are actually examining both production control and price supports.

THE TOBACCO PROGRAM

A revealing case study of the long term impact of production controls on other exporting countries is provided by tobacco. Various forms of production control have been a part of U.S. tobacco programs for over 40 years. Over those years tobacco policy has supported farm prices of tobacco well above world prices. Mandatory acreage or marketing quotas attempted to restrict production to what could be sold at the supported price. No restrictions were placed on tobacco imports so manufacturers were able to import foreign tobaccos to blend with domestic varieties. Exports were not subsidized, so the United States could only export tobacco if the world price rose to the support level. Historically this has been the case for the types of tobacco produced in the United States. Thus U.S. price supports supported the world price, at a higher level than it would have been without the U.S. program.

The global production of tobacco has been a growth industry over the last 30 years. Since 1960, world tobacco production has nearly doubled and trade in unmanufactured tobacco has increased 70 percent (figure 2).

In the late 1950's the United States dominated the world tobacco statistics, accounting for about one fourth of world production and one third of world exports. Some tobacco was also imported. The United States exported burley and flue-cured tobacco and imported other types that manufacturers could use as blends. Other major producers were countries in Eastern and Western Europe, Brazil, India, and several countries in Africa.

From the 1960's to the mid 1980's production and trade expanded for all the world's major tobacco producers except the United States (figures 1 and 2). By the mid 1980's, only 10 percent of the world's tobacco production came from the United States. The U.S. share of world exports had dropped to only 18 percent and the import share had increased to 15 percent. Further, about one fourth of the burley and flue-cured tobacco consumed in the United States in 1985 was imported, in direct competition with domestically grown tobacco.

What caused the loss of U.S. competitiveness in the world tobacco market? Did producers and marketers in other countries improve their comparative advantage relative to the United States? Did U.S. producers and marketers of tobacco become "high-cost" relative to other countries? Did the U.S. tobacco program make the United States less competitive? Objective answers to these questions are not easy to find. A recent study by Sumner and Alston points to the tobacco program as the main cause.

Their study addresses the effects of price supports and quotas on the output and price of U.S. tobacco. They used estimates of supply and demand elasticities, and the price wedge attributable to support programs, to

U.S. SHARE OF TOBACCO MARKET PRODUCTION AND EXPORTS

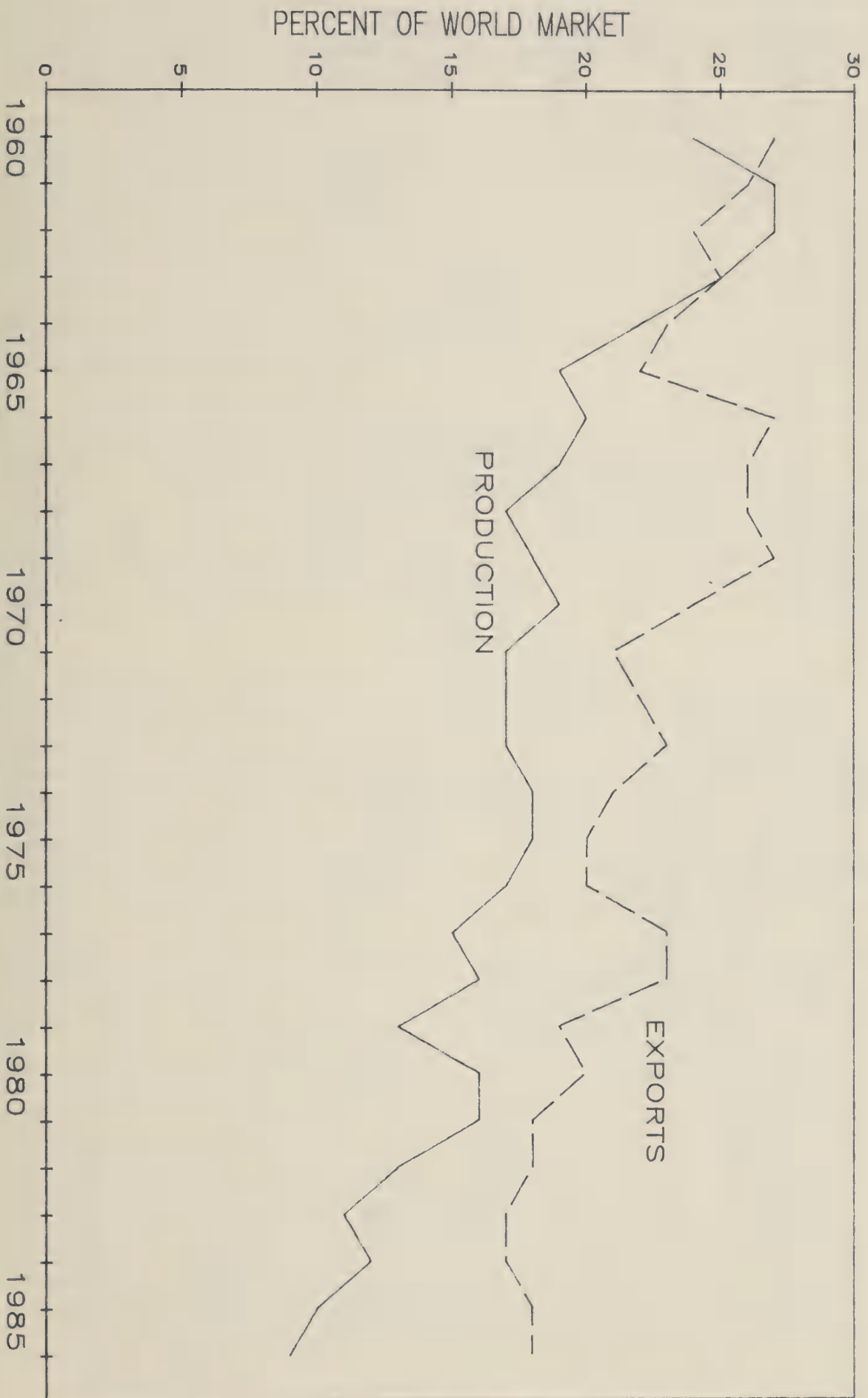


FIGURE 1

WORLD TOBACCO MARKET PRODUCTION AND EXPORTS

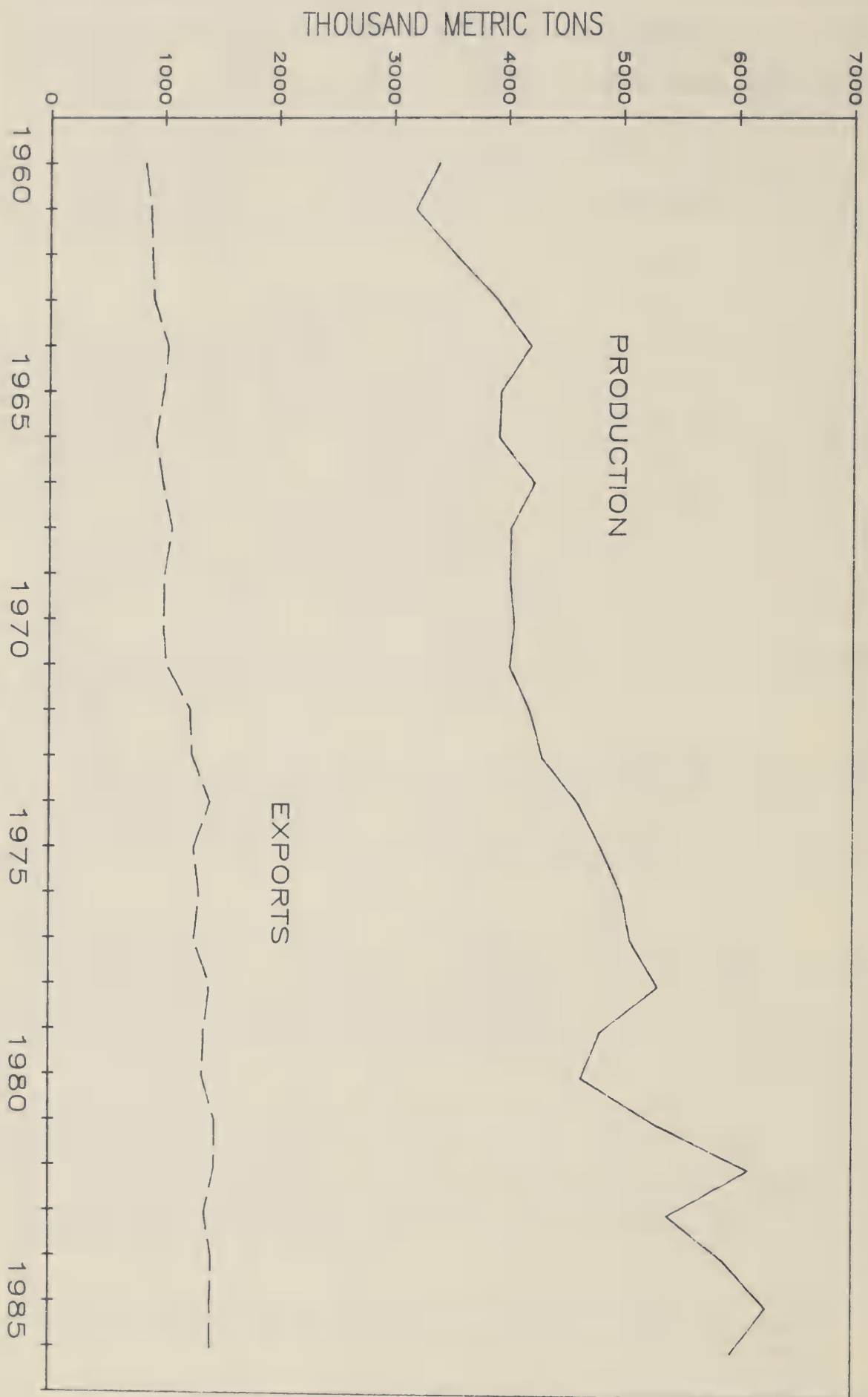


FIGURE 2

determine unregulated equilibrium price and quantity. The effects of eliminating the support program were then measured through changes in marginal cost and the price wedge, among other factors.

Sumner and Alston attribute the loss in net exports of tobacco by the United States to U.S. tobacco policy. They show that high U.S. price supports enabled other countries to expand production and be more competitive than the United States in export markets. With shrinking export markets and expanding imports, restrictions on U.S. production continually had to be tightened. They estimated that if the tobacco program had been eliminated in earlier years, U.S. tobacco exports in 1983 would have been increased by 150 percent. Imports would have decreased about 60 percent. They expected the elimination of U.S. policy to have only a small expansion effect on global consumption, so most of the increase in U.S. net exports would be offset by reduced exports from other countries.

This tobacco example presents strong evidence of how long term price supports and the associated production control by a major exporter can lead to a gradual but sustained loss of export markets. The year-to-year loss of market share is not very noticeable, but the long term effect is striking. A simple examination of the trends in trade suggests that the United States would become a net importer of tobacco in the near future. The Sumner-Alston study implies that if the U.S. tobacco policy had been eliminated in previous years, exports by other countries in 1983 would have been about 40 percent less than actual. Production in the United States would have been 75 percent larger.

It is difficult to predict how tobacco producers and governments in other countries would react to the elimination of the U.S. tobacco program. Some generalizations can be made, however. One would expect significantly lower world tobacco prices. In some countries, producers are protected from changes in world prices by government-administered prices -- for example countries in eastern Europe. If their price policies did not change, then producers in those countries would not be expected to cut back on production. (Over time, however, their policies could change in response to world market conditions.) In other countries, where producers are unprotected from the lower world prices, producers would be expected to reduce production. These countries would adjust production and trade in response to a U.S. policy change.

This history of the tobacco industry provides lessons for the long run impacts of possible high price supports and production controls for other U.S. agricultural commodities that rely on exports for a large portion of total sales. The United States accounted for one third of world tobacco exports in the late 1950s. Being the dominant supplier, however, did not prevent the gradual and substantial loss of markets to other countries. The United States currently exhibits world market power in other commodity markets, similar to that of tobacco in the 1950's. From 1980 to 1986 the United States had 27 percent of the world cotton market, 40 percent of the wheat market, and 58 percent of the coarse grain market. Conditions in these markets differ substantially from tobacco. More thorough research would be needed to estimate the reduction in U.S. market share that might take place over 10 or 20 years with a policy of high price supports and production control for these commodities. A key feature to examine is the absence of border measures in the U.S. for these program commodities, since price and production control measures are often sustained with import restrictions. The tobacco experience, however, suggests that losses of market share would be

substantial. This policy approach may succeed in achieving other policy objectives, such as enhanced farm returns, but one should expect a major reduction of exports. As exports decreased, there would have to be an equivalent decrease in the production quota (or acreage allotment) to prevent surplus stocks from accumulating. These reductions could continue year after year as other countries -- especially those countries that do not block world prices from reaching their producers -- respond to the supported world prices.

THE 1983 PIK PROGRAM

The one-year production control program used by the United States in 1983 provides the best recent case study of how annual production control influences producers in other countries. In no other year since the 1950s has there been such a large one-year increase in land withheld from production by U.S. farm programs. We examined data for export-competing countries in 1983 and beyond to see if there were any obvious response patterns to the U.S. policy action in 1983. ^{2/}

By the winter of 1982/83 it was apparent to U.S. farm program administrators that some major action would have to be taken in 1983 to reduce surpluses. Stocks of corn, wheat, and cotton were expected to reach record levels by the end of the 1982/83 marketing year. If farm programs were not changed in 1983, surpluses would continue to grow.

In response to these market conditions, the Secretary of Agriculture, in January 1983, announced a major program to reduce acreage planted to food grains, feed grains, and cotton. It was called the payment-in-kind (PIK) program. The PIK program was a voluntary program that paid participating producers in cash and in kind (with surplus commodities) for withholding land from production of specified crops.

By March the magnitude of the 1983 PIK program was known. USDA reports showed that the area withheld from production by the program included 15.9 million hectares of potential coarse grain land (corn, grain sorghum, barley, oats and rye), 12.1 million hectares of wheat land, and 2.7 million hectares of cotton land. These quantities of idled land were much larger than in any other recent year. As a consequence, area harvested of these crops was expected to decrease dramatically in the United States in 1983. An Economic Research Service report, in March 1983, estimated that the PIK program would reduce wheat production about 13 percent, and reduce corn and cotton production about 30 percent. The impact on wheat was expected to be smaller because winter wheat had been planted by the time the program was announced. Thus producers and farm policy administrators in other countries had information about the magnitude of the U.S. cutback in production by planting time in 1983. Their counterparts in the Southern Hemisphere even had a few additional months to respond.

Data on area harvested by other major exporting countries were inspected for evidence that they increased production in response to the large cut-back by the United States. The data give mixed evidence. In 1983 some major grain and cotton exporting countries increased their areas harvested of these crops while other countries did not. The United States reduced the area of wheat

^{2/} A regression analysis of data from 1960 to 1986 showed no evidence that other major grain exporting countries adjusted their area harvested, either concurrently or with a one-year lag, in response to changes in area harvested in the United States.

harvested by 21 percent in 1983. That year Australia and Canada increased their harvested wheat areas by 12 and 9 percent, respectively (table 1). The area harvested in Australia was the highest in 25 years -- a continuation of annual increases over previous years. But Australia's wheat area decreased after 1983. The increase in Canada, however, appears to be the continuation of an upward trend in wheat area throughout the late 1970s and 1980s. Argentina decreased its area of wheat harvested while the European Community held about constant. These four exporters in total increased wheat harvested area about 5 percent.

U.S. coarse grain acreage dropped 24 percent between 1982 and 1983. Australia, however, was the only exporter to show an increase in harvested area of coarse grains that year -- 19 percent (table 1).

The world's leading cotton exporters are the United States, USSR, the Peoples Republic of China, Pakistan, Sudan, Egypt, and Turkey. In 1983 the United States removed nearly 3 million hectares of potential cotton land from production and reduced harvested area by one fourth. The other major exporters increased their harvested area that year a modest 2 percent -- mainly in the Peoples Republic of China (table 1). Note, however, that in 1984 the top producers (U.S., USSR, PRC) all increased harvested area.

Summing up the 1983 evidence, Australia and Canada may have responded to the U.S. PIK program. Australian grain producers and Canadian wheat producers significantly increased area harvested in 1983. But producers of grains and cotton in other major exporting countries apparently did not respond. Annual U.S. acreage reduction programs continued after 1983, but at reduced levels. Harvested area of these crops in the other major exporting countries have not increased significantly since 1982. The exception is wheat in Canada, which increased 13 percent between 1982 and 1986.

By adding economic analysis to these observations, some hypotheses can be made about why some countries appear to have reacted to the U.S. PIK program, while others did not. We argue that the 1983 commodity programs did not send strong signals to the world market to increase production. Given the typical lagged nature of production response, more consideration might be given to persistent, rather than short term, reduction in acreage. Only modestly positive price signals were sent. Those signals were picked up by producers in some countries, but in other countries the signals were blocked by domestic policies. Thus producers in the former countries would be expected to react to U.S. policy signals as they formed planting intentions. A modest increase in production of grains and cotton would be expected. Producers in the latter countries, however, would not be expected to react. This logic is further developed below.

The 1983 U.S. commodity programs could have affected world price expectations two ways; with loan rates, and with the interaction between carryover stocks and the PIK program. The U.S. commodity programs had increased nonrecourse loan rates sharply between 1975 and 1982. The 1983 programs made only minor adjustments in loan rates from the 1982 levels -- slightly higher for feed grains and wheat and slightly lower for cotton. Because of the United States' large world market shares for these commodities, the U.S. loan rates set a floor under world market prices. Thus the loan levels in 1983 sent the signal that the United States would continue the relatively high price supports for at least one more year, but there would be no continuation of past increases.

The impact of the PIK program on world price expectations of governments and producers in other countries likely was not very large. The reason is that a very large surplus of grain and cotton stocks were expected at the end of the 1982/83 marketing year. The PIK program was expected to significantly reduce U.S. surplus grain and cotton stocks, but not eliminate them. ^{3/} Reduced stocks would imply an increased probability of world commodity prices going above U.S. support levels in the future, but not necessarily in 1983.

Thus the signals sent to the world market by the 1983 commodity programs were (a) no increases in the price floor for the 1983 crops, and (b) an increased probability of higher prices farther into the future. Ignoring all other influences, such as growing conditions and exchange rates, those signals from the United States might have encouraged modest expansion by producers in other countries.

World price signals do not reach producers in many countries. Domestic policies block the signals. For example, the Common Agricultural Policy of the European Community sets domestic prices for locally produced grain. Their producers would not be expected to base their production decisions on any price signals from the world market. It is not surprising to find no apparent response by EC producers to the 1983 PIK program. Centrally planned countries (e.g., Soviet Union, Peoples Republic of China) and most developing countries have administered producer prices. They too would not be expected to respond.

Marketing boards in Canada and Australia have substantial influence on planting decisions by producers in their countries. One measure of how the boards transmitted world market signals to their producers is by the initial prices that they established for 1983. The final price received by the producers from their respective boards is adjusted to reflect export sales at higher-than-initial prices and to cover marketing expenses. In Australia, the announced 1983 barley and wheat prices were 6 percent higher than in 1982. In Canada, the initial wheat price announced for 1983 by the Canadian Wheat Board (CWB) was 3 percent lower than in 1982. These announced prices were influenced by changing world supply and demand conditions and changing exchange rates. Without a more thorough analysis, it is difficult to isolate the impact of U.S. production control on the pricing decisions of these boards. Apparently the CWB did not expect the production control policies of the United States to increase wheat prices faced by Canada. The increase in announced Australian wheat and barley prices may have been as much a reaction to the falling value of the Australian dollar (relative to the U.S. dollar) as a reaction to U.S. farm policy in 1983.

^{3/} The March 1983 ERS report expected the PIK program to reduce carryover stocks by 9 percent, 45 percent, and 30 percent for wheat, corn, and cotton, respectively. The predicted reduction in wheat stocks turned out to be accurate. But because of the poor crop year, carryover stocks of corn and cotton were actually reduced 71 and 65 percent.

IMPLICATIONS

Several general implications may be gleaned from this brief analysis of production control in U.S. agriculture, and the associated responses by other countries.

Production control is not a policy objective nor is it a stand-alone policy instrument. It goes hand-in-hand with price support policies. Production control is one way to handle surplus production problems associated with high price supports.

The tobacco case has implications for how long term high price supports and production control would work for U.S. grains and cotton. The rest of the world should be expected to respond. When used year after year, high price supports (and the associated production control) would be expected to reduce a country's competitiveness in world markets. Other countries would increase production and exports in response to a world price that was held up by U.S. price supports. As U.S. exports dropped, the production controls would need to become tighter to prevent buildup of surplus stocks. This process might continue until either (a) exports were eliminated, or (b) the policy was changed. Global grains and cotton markets, however, differ substantially from the tobacco market. A more thorough analysis is needed than this simple comparison. For example, the effects of the recent U.S. export subsidization program might warrant consideration, including its impact on farm returns and treasury costs.

The 1983 PIK experience suggests that there may be little short run response by other countries to large year-to-year changes in U.S. production control of major agricultural commodities. There are two reasons. First, production control is only one policy instrument in annual U.S. commodity programs. They also include price supports, stocks management and deficiency payments. The combined interaction of all these instruments determine the signals sent to the world market by U.S. farm programs. And second, domestic policies in many countries insulate producers in the short run from external price signals.

And finally, making a logical extension from the two case studies, one should not project to the long run the production and trade response that is shown by other countries in the short run.

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USDA ACREAGE REDUCTION PROGRAMS 1933-1987

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Since about 1920, the central problem in American agriculture has been overproduction. Continual advances in technology and cultural practices have kept production ahead of demand except during wartime and a few other short periods, such as ca. 1900-14 and the mid-1970's. Thus, acreage reduction has been a feature of every major law for agricultural price support and adjustment since 1933. A number of different methods have been tried over the years to control the supply of price-supported crops, including voluntary and mandatory controls, soil-conserving crop payments, set asides, conservation reserves, and payment-in-kind programs. All have reduced planted acreage to varying degrees but their success in controlling overall production has been limited. Price supports themselves have been used to influence production, though their effectiveness is more difficult to measure.

American farmers produced surpluses in excess of demand throughout much of the nineteenth century, but it was not until the 1920's that the problem became critical enough to bring about serious proposals for government intervention in the marketplace. Farmers had prospered from high prices during World War I and they had used the opportunity to borrow money and expand their operations. In 1920 the value of export markets shrunk and, within the space of a few months, farm prices fell by half. Land values also declined, leaving many farmers with heavy debts, reduced equity, and lower income. This was the beginning of an agricultural depression that lasted until World War II.

The First Acreage Control Programs

By the mid-1920's farm groups and many agricultural economists were urging the government to step in and support farm prices. Among the plans was a two-price system that would discourage heavy planting by supporting only production for the domestic market. None of the proposals became law. After the failure of the 1929 Agricultural Marketing Act's abortive attempt to shore up prices through purchases by cooperatives, interest again turned to price supports-- this time with production controls added. One such proposal, called the voluntary domestic allotment plan and backed by Montana State economist M. L. Wilson, required producers to sign contracts limiting the amount they marketed domestically in order to qualify for payments funded either by the tariff or by an excise tax on processors. The plan would only go into effect if farmers approved it in a referendum; the penalty for

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noncooperators was not receiving government payments. The domestic allotment idea placed little hope or reliance on exports. Allotments would be set according to estimated domestic sales and excess production would be used as feed or exported at lower prices. While price supports were being discussed, the general economy collapsed following the financial panic of 1929. Agricultural exports plunged over 60 percent in value between 1929 and 1932 and farm prices tumbled to levels not seen before in this century.

The voluntary domestic allotment plan, including acreage reduction, became the basis of early New Deal price support programs. The Agricultural Adjustment Act of 1933 provided a number of tools to deal with the emergency, including acreage controls, marketing agreements (orders), cash and in-kind payments to farmers, nonrecourse loans (under which a farmer could borrow against his crop and then surrender it as collateral rather than pay the full loan back if prices were below the loan rate), and authority to license and tax processors. It can safely be said that the Secretary of Agriculture received more discretionary authority under this act to make and change farm policy than in any subsequent farm bill. George Peek, first administrator of the AAA, preferred marketing agreements and a vigorous trade policy over acreage allotments, but he was soon replaced with Chester Davis, who was sympathetic to supply control. The plan used for the basic commodities (generally those which were storable) worked as follows: farmers of who signed contracts reducing their historic acreage by a certain amount got direct payments from the government for rental of the land, the money for which came from a tax on processors. This was a strictly voluntary program, but in 1934 new cotton and tobacco plans effectively taxed noncompliers out of the market. The ultimate goal was parity--a price level high enough to give farm commodities the same purchasing power they had during the prosperous 1909-14 period.

Two examples will suffice to show how the AAA programs worked. Cotton producers were asked to plow up between 25 and 50 percent of their already planted acreage in 1933 in return for cash rentals. Reductions in acreage for 1934 and 1935 ranged from 25-45 percent. Payments to farmers were based on yields and acreage and included optional payments in kind. When the heavy tax on noncompliers became effective, it was accompanied by a referendum which farmers agreed to by the necessary two-thirds majority. Drought reduced the need for acreage reduction by wheat growers, but the Department called for 5-15 percent reductions over the first three years of the program. Farmers received 30 cents per bushel on 54 percent of their normal production. Both these programs were reasonably successful at reducing both acreage and production. Harvested wheat acreage dropped 20 percent between 1930-32 and 1934-36 and output, aided by, drought fell 26 percent. For cotton, the comparable figures were 27 percent and 26 percent.¹ Prices for both commodities rose substantially in 1934-36 because of price support operations and tighter supplies. Acreage reduction took various forms for other commodities. Corn was linked with hogs because of their mutual dependence; tobacco combined allotments with marketing agreements; rice began with marketing agreements but was switched to allotments by 1935; some peanut diversion payments went to diverting peanuts to oil. These varied and often experimental programs had a mixed success. Cotton and tobacco experienced the largest drop in acreage and production that could be attributed to the

AAA; grain output fell partly because of the programs and partly because of drought. The corn program included a successful nonrecourse loan that became a model for future loans. Government payments, variously termed "rental," "benefit," or "parity" payments, contributed to the farm economy but only made up 8.5 percent of realized net farm income between 1933-36.²

The Supreme Court in 1936 struck down the use of individual contracts with farmers to control production and the processing taxes which financed the whole system, leaving USDA without an effective way to cut acreage. The government then tried to make soil conservation the rationale for reducing acreage. In the Soil Conservation and Domestic Allotment Act of 1936 farmers were paid to replace "soil-depleting crops" (generally those in surplus) on their allotments with "soil-conserving crops" such as grasses and legumes. Farmers got an average of about \$10 an acre for changing to the latter plus up to \$1 more for adopting soil-building practices. Noncompliers did not receive conservation payments. This act had only a modest effect on production, which took an upward swing in 1936 and 1937. It did, however, re-establish the idea of acreage allotments as a means of reducing plantings and began payments for soil conservation practices, which had survived to the present. Another program in this period--land utilization--resulted in the government purchase of submarginal land to permanently end production on it. Although about 2 percent of U. S. cropland was retired this way (mainly in the Great Plains and Appalachian Mountains), production was little effected.³

The Second AAA

The Agricultural Adjustment Act of 1938 put into place a more comprehensive plan of acreage controls and price supports in a way acceptable to the courts. Although it was a more coherent long-range program than the emergency 1933 and 1936 acts, the second AAA still offered the Secretary many options. It retained the voluntary conservation and acreage allotment features of the 1936 act but added mandatory controls in the form of marketing quotas for wheat, corn, cotton, tobacco and rice. When the Secretary of Agriculture estimated that supplies would exceed the "normal supply" level by a certain percentage, a marketing quota had to be proclaimed. The quota, in practice, was not the amount that farmers would be allowed to market that year but rather the acreage that the Department of Agriculture estimated would produce the amount of the quota. This was much more acceptable to farmers since it allowed those willing to invest the capital and labor in more intensive farming to raise as much as they could on their reduced acreages. If farmers approved the quota by a two-thirds majority, allotments became mandatory and farmers were limited to planting a specified percentage of their historic acreage. As in the case of the 1934 cotton and tobacco act, noncompliers paid heavy penalties. The Commodity Credit Corporation also made nonrecourse loans available for the above crops when the price fell below a certain level. Previously this type of loan had been used mainly for cotton and corn. Loan levels were set low enough so they did not encourage production and, in fact, fell when supplies were expected to be large. Farmers who refused to cooperate with voluntary allotments did not receive nonrecourse loans except when quotas were in effect, when they got partial payments.

Thus, a combination of voluntary and mandatory controls became the norm following the 1938 AAA. Acreage allotments were put into effect in 1938 for corn, cotton, peanuts, potatoes, rice and several kinds of tobacco; in 1939 wheat joined the list. The first quotas were proclaimed in 1938 for cotton and tobacco and they accepted by growers. Rice quotas followed in 1939 but farmers rejected them. Tobacco farmers also rejected quotas that year because, unlike other crops, the 1938 tobacco quotas had been based on quantity rather than acres. After a year of severe overproduction, however, tobacco quotas (now on an acreage basis) were approved for 1940. By 1941 quotas were operating for tobacco, cotton, wheat and peanuts.

Quotas and allotments under the 1938 AAA generally succeeded in cutting acreage. Lured by the prospects of "conservation" and other payments plus price support loans, farmers participated heavily. Harvested wheat acreage fell 24 percent from the prior year under the voluntary allotments of 1939 and remained at or under the allotment for several years. Wheat quotas were imposed in 1941 mainly because of the war's initial effects on export markets. Cotton acreage dropped by more than 30 percent from 1937 under the mandatory quotas of 1938-41 and averaged less than the allotment. Tobacco acreage dropped under 1938 quotas, soared in 1939 when controls were off, and fell again in 1940 when new quotas took effect. Neither allotments nor quotas did much to curb peanut acreage; the government mitigated surpluses by diverting peanuts to oil use. The corn situation was complicated by the fact that nearly half the production came from "noncommercial" corn states not covered by allotments. Moreover, much corn was grown for feed and those farmers had little incentive to join government programs. Surpluses continued despite allotments but never to the point of triggering quotas. As for rice, voluntary allotments did little to curb acreage, which averaged well over allotment levels.⁴

Production under quotas and allotments did not fall as much as acreage. Data on production goals is spotty but evidence suggests that production was often higher than estimated due to what is usually referred to as "slippage." Wheat, corn, cotton, and tobacco yields rose in the 1938-41 period in part because farmers put more effort into working their smaller acreages. Market prices were not generally raised by the use of allotments and quotas; they were more directly affected by nonrecourse loans. Prices advanced 1938-41 compared with 1937 for program crops except wheat but some of this was due simply to war demand in 1941. The use of mandatory quotas in addition to allotments did not guarantee higher prices. Looking at programs before 1941, prices for peanuts and tobacco were little different during quota years than before; cotton was higher under quotas than in 1937 but did not reach the levels of the mid-1930's.⁵ Farmers, of course, benefitted from price support payments that helped make up for relatively low prices. Thus, this brief experience under 1938 act supply controls was only a partial success.

World War II brought a temporary end to voluntary allotments as well as mandatory quotas controls for all but tobacco, as war and postwar demand made them unnecessary. However, the guaranteed high price supports (with nonrecourse loans set generally at 90 percent of parity), which began early in the war, had the effect of encouraging production. This was intentional during the war years. But as they continued after the war, high price

supports became entrenched in the thinking of many farmers and policymakers. Farmers got used to counting on high prices until supports were finally lowered in the mid-fifties.

Postwar demand for agricultural commodities was high and exports boomed, but occasional surpluses occurred. Allotments, which had been suspended in 1943 except for tobacco, reappeared in 1949 for peanuts and in 1950 for wheat, upland cotton and rice. But they were not taken seriously as acreage control measures. Indeed, the Department asserted that "acreage allotments do not constitute an enforced limitation on production but provide a limitation on Government expenditures for price support...."⁶ This was borne out by the effects of the 1950 voluntary allotments on wheat and rice. Harvested acreage declined by 18.8 percent for wheat and 11.9 percent for rice from the previous year, but higher yields meant that production fell by less than half those figures. Mandatory quotas, which did aim to cut production, were proclaimed and approved for peanuts and upland cotton in 1949 and 1950, respectively. The peanut program brought acreage down very quickly by nearly a third between 1949 and 1950, which was enough to reduce production despite increasing yields. The cotton program benefitted from lower yields and a 35 percent cut in acreage.⁷ Korean War demand caused cotton quotas along with wheat and rice allotments to be dropped in 1951 but peanut and tobacco quotas continued.

The Return of Mandatory Controls

After the Korean War demand again fell off and surplus production in a number of commodities created a situation similar to the problems of the late 1930's. The Eisenhower-Benson administration philosophically opposed mandatory controls, preferring a market-oriented policy with flexible (and lower) price supports. But postwar surpluses triggered the legal requirement for marketing quotas. Beginning in 1954, quotas were reinstated for wheat and cotton (now divided between upland and extra-long staple (ELS) cotton); in 1955 rice joined the list. Corn was put under allotments again in 1954 but compliance was low; the Agricultural Act of 1954 repealed mandatory quotas for corn. Allotments stayed nominally in force until corn farmers voted to end them in 1959.

The mandatory programs continued until the 1960's or later but neither they nor the lower price supports in the mid- and late fifties had much success in reducing production, primarily because of rapidly growing yields. Productivity grew at a faster rate during the 1950's than any decade before due to heavier use of fertilizers, pesticides, machinery, and better varieties of seeds. Moreover, the acreage control programs themselves had their usual effect in intensifying production: yields went up for wheat, cotton, and rice as soon as quotas were imposed in 1954 and 1955. The increase for the first program year ranged from 4.6 percent for wheat to 17.8 percent for rice. By 1960 production of wheat and corn had set records; carryovers far exceeded the levels of the 1930's. Demand did not improve enough to compensate for supply, despite increasing exports under P.L. 480 programs. Wheat and corn prices in 1960 were lower than they had been at any time since World War II. Cotton and rice production, to a lesser extent, were also on the upswing in 1960 because of better yields. Prices for these

commodities had likewise drifted down some in the years since acreage reduction had been imposed. Lower prices could be attributed to a combination of excess production and lower price supports.⁸

Another reason that acreage programs did not work well in the 1950's was that they were no longer applied as strictly as they had been. For example, the use of land removed from the production of allotment crops had changed substantially. In the late 1930's this land had to be planted with "soil-conserving crops," generally taken to mean grasses and legumes. But the definition of "soil-conserving" changed during the intervening years so that when allotments were reimposed in the fifties the reduced acreage could be planted to almost anything that was not under marketing quotas. A 1955 act permitted conservation payments to producers who did not comply with allotments. These new circumstances brought about what the Department referred to as the "shifting of surpluses," when diverted acres were planted with crops that were soon themselves overproduced. Much of the land taken out of corn in the 1950's, for example, went to other feed grains like barley and grain sorghum. Other alternate crops included soybeans, rye, flaxseed, and hay. Secretary Benson tried to correct this problem by requiring in 1954 that farmers comply with allotments on all the allotment crops they grew in order to qualify for price supports on any of them. But the order was soon withdrawn because Benson believed that "greater freedom of operation for farmers" was "far more valuable than such protection as might have resulted for producers of non-basic crops."⁹

Other slippage came from the exemption of small acreages from allotments, the restriction of corn and wheat allotments to "commercial" states for those crops, and the guarantee of minimum national allotments for certain crops such as wheat, cotton, and peanuts. Another problem was that allotments tied farmers to historic planting patterns and made it difficult for crops to migrate to lower cost areas. Cotton production, for example, remained centered in the Southeast longer than it probably would have without allotments. In the case of tobacco, where average allotments were very small, the difficulty in transferring allotments dampened the incentive for developing labor-saving machinery.

In 1956 a new acreage control program began that aimed to retire more land than could be reached under allotments. Called the Soil Bank, the new program had two parts. The acreage reserve was for short-term acreage reductions below the allotment levels for wheat, corn, tobacco, peanuts, cotton, and rice. Farmers received payments for converting land to conserving uses. The conservation reserve aimed to retire land for longer periods, between three and ten years, in return for annual cash rentals averaging \$11.85 an acre. These programs had ambitious goals but neither was very successful at slowing production. The acreage reserve removed 21.4 million acres from production in its peak year (1957) but the cost of doing so caused Congress to end it in 1959. The conservation reserve had signed up 28.7 million acres--six percent of U. S. cropland--by 1960. This included 15.3 million acres formerly planted with wheat, corn, oats, and grain sorghum. But much of this was marginal land and retiring it had little appreciable effect on production. Worse, the program was fraught with controversy. A GAO study found that 23 percent of the land retired was not

cropland. Many farmers evaded the \$5,000 payment limit by subdividing their farms. In order to discourage the sort of intensive farming that often occurred on land remaining after an acreage reduction, the Department encouraged the removal of whole farms and some 70 percent of the acreage taken out was in this form. Local businesses suffered in areas with heavy participation. The administration was unable to renew the Soil Bank in 1960, although the last land under contract did not leave the conservation reserve until after 1970. In 1965 the idea of a long term reserve was revived in the form of a Cropland Adjustment Program that retired land for 5-10 years to conservation or recreation uses. A new idea, Greenspan, appropriated money for local governments to purchase land to permanently preserve it from urbanization. Both programs were small, however, affecting only about 4 million acres.¹⁰

The Kennedy-Freeman administration tried a much different approach to the problem of surpluses. Convinced that mandatory controls would work if they were tightened, this administration in 1961 proposed switching from acreage controls to true quotas on the amount that could be marketed. Under the new plan, farmers of any crop would be able to vote on whether to implement a marketing quota plan that offered higher price supports in return for reducing acreage. Minimum national acreage allotments would be abolished and small farms would no longer be exempt from allotments. Freeman expected that mandatory controls would raise farm income at the same time they reduced government costs, especially storage costs. However, the plan ran into stiff resistance in Congress because of farm group protests over the restraints that would be placed on farmers and because it gave power to the Secretary and producer committees at the expense of Congress. Finally in 1962, Congress consented to try the Freeman plan using wheat as a test case. When farmers voted it down in the 1963 referendum (in which the negative votes of many small wheat growers not in government programs figured largely), the administration gave up on mandatory controls.¹¹

A New System of Voluntary Controls

Meanwhile, Congress and the administration were working out a new form of voluntary controls, one which became the basis of the current price support system. The emergency feed grain program of 1961 simultaneously sought to reduce existing CCC surpluses of corn, oats, barley and grain sorghum and prevent future surpluses by stronger, voluntary acreage controls. Farmers of those crops who wanted to be eligible for price supports had to divert at least 20 percent of their base. Unlike the old allotment system, these acres had to be put to conserving uses. In return, the farmers received payments in cash or in kind (PIK payments) equal to 50 percent of their normal yield and had the option of diverting up to 20 percent more for payments of 60 percent. This new program, with its relatively high inducements, was a success in cutting feed grain acreage. Enough farmers signed up (59 percent of the base) to reduce harvested total corn acreage by 19 percent in 1961; other feed grain acreage was reduced, too. As with earlier programs, yields rose and corn production fell only 7.9 percent. Noncompliers produced heavily. But, thanks to the PIK provisions, CCC inventories dropped nearly in half between 1961 and 1962.¹²

A 1962 act continued the feed grain program with both required and optional diversions up to 50 percent of base for PIK payments. In a move to reduce prices to world levels, price support loan rates were lowered; farmers received an additional price support payment--an income supplement--to make up for the difference. After 1963 the Secretary chose the percentage to be diverted up to a maximum of 50 percent. These ideas were re-enacted in the Food and Agriculture Act of 1965, which remained in effect until 1970. That act put feed grains on a two-tiered diversion system under which the Secretary could require participants to idle a certain portion of their acreage without payment (like under the old allotments) and offer an additional paid diversion. This became the model for other commodities.

Wheat was shortly added to this system of voluntary diversion to conserving uses. Mandatory wheat quotas ended after 1963; the remaining national allotments now could be reduced below the previous 55 million acre minimum. As with feed grains, price supports fell but government payments in the form of certificates (a modified two-price system) maintained income. For the first time cross compliance between allotments was enforced, meaning that farmers had to plant within their allotments for all crops to receive payments. One exception, though, was that wheat and feed grains could be substituted for each other. The Food and Agriculture Act of 1965 renewed this program through 1970.

Cotton supplies were a growing problem in the early 1960's as exports fell by a third between 1960 and 1965. The legal minimum allotment of 16 million acres was, by now, too large to work. Cotton began to move toward voluntary acreage reduction with a 1964 act that authorized a domestic allotment smaller than the regular one and diversion payments in cash or in kind to farmers who kept within it. The 1965 act required diversion to conserving uses; as with the other commodities, cotton price supports were lowered to encourage exports and income payments began. Thus, cotton was under a dual system of marketing quotas for the regular allotment and voluntary controls for further reductions.

Mandatory quotas remained intact for peanuts, rice, and tobacco. These crops were little affected by legislation in the 1960's, although it became easier to transfer peanut and tobacco allotments. Flue-cured tobacco was put under quantity quotas (in addition to acreage allotments) beginning in 1965; burley followed in 1971. Farmers could market slightly over or under their quota for a deduction or credit the next year.

The acreage reduction programs of the 1960's basically worked to hold down harvested acreage, but they were again undercut by rising productivity. By 1970 grain production had returned by the levels of 1960 and some other crops, like rice and peanuts, had substantially higher output. Fortunately, increasing exports helped prevent any serious oversupply situation. Corn acreage stayed well below levels of the fifties while production slowly but steadily advanced. Wheat production remained in the same range on fewer acres. Grain exports rose 62 percent in quantity between 1960 and 1970. Cotton responded to its new program with a 30 percent fall in acreage harvested between 1965 and 1966 and a drop in production that lasted several years. Rice, tobacco, and peanuts all benefitted from strong exports in the 1960's. The Department was able to substantially raise rice allotments in

the sixties before an oversupply problem appeared. Voluntary programs were less successful in the area of cost. In the 1950's the cost of storing surpluses had been widely criticized; in the 1960's it was direct government payments that became an issue. Paid land diversions and income supports combined to push payments to farmers up from \$0.7 billion in 1960 to \$3.7 billion in 1970.¹³

By 1970 supplies for most commodities were well under control thanks to exports and acreage reduction programs. The Agricultural Act of that year took a step away from strict acreage control by giving wheat, feed grain, and cotton farmers a greater choice of crop mix. Termed set-asides, the idea was to require farmers, when necessary, to turn a certain percentage of their base acreage to conserving uses. They could then plant their remaining acres to any crop except those under marketing quotas. This gave farmers more flexibility and made it easier for crops to migrate to different regions. In putting cotton under set-asides, marketing quotas were suspended (except for extra-long staple cotton) and the cotton program was put on the same voluntary basis as grain. Allotments for wheat and cotton no longer restricted planting but were simply used as a basis for calculating set-asides and payments (corn allotments had ended in 1959). The Rice Production Act of 1975 suspended the mandatory rice program and put rice, which had also experienced high demand, under voluntary set-aside provisions. It removed former restrictions on new producers.

Rapidly growing exports in the seventies, especially following the Soviet grain sale of 1972, made acreage reduction almost superfluous. Planting restrictions were dropped as they had been in the postwar period. Modest set-asides in the early seventies gave way to none at all for wheat and feed grains from 1974-77, for cotton from 1973-81, and for rice from 1976-82. As prices soared, payments to farmers fell to a mere \$530 million in 1974. The 1973 Agriculture and Consumer Protection Act replaced the income supports previously known as price support payments with target prices set above loan rates. But deficiency payments under target prices were not needed at first.

By 1976-77 farm prices were beginning to sag again because all-out production of the mid-seventies had exceeded the growth in demand, despite strong exports. Simultaneously, inflation was pushing the costs of production and capital higher, especially for land. The Department imposed mild wheat and corn set asides in 1978-79, but these were lifted in 1980 after prices began to recover. The Food and Agriculture Act of 1977 responded to the demand for more price protection by raising target prices and loan levels. Set-asides were continued with one important change--national program acreages for the grains (except rice) and upland cotton would be based not on historic allotments but current plantings.

In addition, a farmer-owned reserve was established to help soak up excess production, assure consumers and exporters an adequate supply, and moderate price and supply fluctuations. The upland cotton program was put on a fully voluntary basis in 1977. Peanut controls, on the other hand, were tightened because production had grown substantially on an only slightly expanded acreage, leaving excess supplies. Poundage quotas were added to acreage allotments; producers could grow more than their quota (if they stayed within

their allotments) but additional peanuts were to be supported at a lower rates. When the Carter administration imposed an embargo on grain exports to the Soviet Union in 1980, the grain reserve was opened to all producers but no diversion was announced.

Programs of the 1980's

The Reagan administration came to office in 1981 with the goals of giving agricultural programs a market orientation, simplifying their operation, and reducing their cost. Because of optimistic projections about future demand, the administration recommended doing away with set-asides while keeping authority for paid land diversions. The administration bill would also have eliminated peanut and rice allotments, ended target prices, and in general given the Secretary more discretion over price supports.

In its final version, however, the Agriculture and Food Act of 1981 kept most of the features of older programs. The dual loan-target price system of support continued with levels set to an expected high rate of inflation, which had the effect of making the bill much more costly when the inflation rate dropped than originally anticipated. This high level of support also gave encouragement to production and put a price floor under both domestic noncompliers and foreign competitors. The two-tiered system of required set-asides and optional paid diversions remained intact for grains. However, set-asides were abolished for rice, as were acreage allotments. The tobacco program was modified slightly to reduce its cost and was further changed in 1982 to make it harder for nonfarmers to own allotments. The peanut program moved in the direction of being a voluntary program with the suspension of allotments. Quantity quotas, though, remained for price supports; new peanut farmers could only grow "additional" peanuts. The new act ended cross compliance requirements between crops (except during wheat and feed grain set-asides) and changed the current plantings base of 1977 to a crop acreage base.¹⁴

Experience under the 1981 farm bill was not a happy one. Exports peaked in 1981 and their subsequent fall depressed prices and raised government costs. Meanwhile, farmers continued to maintain production at high levels. By 1982 government-held surpluses were approaching or surpassing the records set in the late fifties. The administration tried small acreage diversion programs 1982--10 percent for feed grains, 15 percent for wheat, rice, and cotton--but they were ineffective in the face of good weather and high yields. Thus, in 1983 the diversion program was increased to 20 percent and a historic payment-in-kind program was added on top of it for wheat, corn, grain sorghum, rice, and cotton to reduce CCC stocks and production at the same time. Under PIK, farmers could choose to idle 10-30 percent more of their base in return for deliveries of the same commodity. The high rate of payment--95 percent of normal yield on wheat land diverted for PIK and 80 percent for the other crops--brought very high enrollments. Large producers were attracted by the absence of the usual \$50,000 payment limit. Whole farm retirement was also offered (for the first time in a short-range acreage reduction program) which allowed farmers to submit bids to convert their whole base acreage of PIK crops to conserving uses. PIK added an estimated

49.2 million acres to the 26.8 million acres previously signed up for in the unpaid acreage reduction program and the paid land diversion.

Altogether these programs took out of production the largest acreage (76 million) in the 50 year history of government adjustment programs. But, as with earlier programs, results were mixed. Wheat output dropped just 12.5 percent on 21.2 percent fewer acres. The other crops were affected by a severe drought which prevented the normal rise in yields after acreage reduction. Total production of PIK commodities in 1983 fell about 35 percent, but GAO estimated that half of this could be attributed to the drought.¹⁵

Stocks of PIK commodities fell enough in 1983 so that the program was renewed in 1984 only for wheat. However, Treasury costs for the rising payments continued to climb. Hence, the Agricultural Programs Adjustment Act of 1984 slowed down the escalation of income supports and required acreage reductions if carryovers exceeded certain levels. For wheat it mandated a 30 percent wheat acreage reduction besides PIK, 20 percent unpaid, 10 percent paid.

Debate on the 1985 farm bill raised many of the questions that had come up in 1981 with even more emphasis on government costs. The administration bill would have nearly ended government intervention in price support programs. It proposed phasing out target prices, lowering loan rates to world market levels to turn exports around, and ending all authority for acreage reduction except for a conservation reserve. Significantly entitled the Agricultural Adjustment Act of 1985, it would have become the new fundamental legislation by repealing existing laws.

But Congress rejected much of this bill in response to the financial difficulties that many farmers faced, which made a complete market-oriented approach less appealing. Congress also disapproved suggestions by some farm groups to reinstitute mandatory controls. The final act, the Food Security Act of 1985, protected farm income by freezing target prices for two years while lowering loan rates to near-market levels. Acreage reduction remained in the new law with some changes. Like the 1981 act, it gave the Secretary discretion over when to initiate a reduction, authority he had temporarily lost under acts in 1982 and 1984 when such programs had been required, but pegged allowable reductions to the size of the carryover. These ranged up to 30 percent for wheat, 20 percent for feed grains, 35 percent for rice, and 25 percent for upland cotton. Cotton and rice programs were to be operated with an eye to optimal carryovers of 4 million bales and 30 million cwt, respectively. The Secretary could require cross-compliance with other programs.

A new conservation reserve program aimed to take up to 45 million acres of erodible land out of production for ten years in a manner similar to the Soil Bank. The program was designed to phase in over a five year period, adding 5-10 million acres a year. Although supporters of mandatory controls were essentially defeated, the 1985 law retained some mandatory program features. The peanut program continued as before with quantity limits on price supports; the tobacco program remained intact (in a separate bill). An option also permitted wheat to be put on marketing quotas and an advisory

poll of farmers was required. That poll, in July 1986, showed that a majority of farmers voting liked the idea but no marketing quota was proclaimed. Only about 22 percent of the eligible farmers voted.¹⁶

The 1985 farm bill has proven to be an expensive one, especially in the area of income supports. Agricultural exports have continued their decline and for 1987 are projected to be 40 percent below 1981. This has meant a continuing need to rely on acreage reduction. The income guarantees of the 1985 act along with sharply lower loan rates have brought sign-ups that are high by the standards of voluntary programs--84 percent of the base acreage of wheat, feed grains, rice, and cotton for 1987. In 1986 43.7 million acres of those crops were diverted to conserving uses. This increased to 54.4 million acres in 1987. In addition, the conservation reserve had signed up over 17 million acres by April, 1987 putting the combined total close to the record acreage reduction of 1983.¹⁷

Conclusion

Acreage control programs over the past half century have served more to slow the increase in production than truly keep it in check. None of the different methods tried has been without problems. Voluntary acreage reduction programs have been the most popular with farmers. While generally reducing acreage to the desired level, they have often failed to cut production enough to balance supply and demand. Participants have responded to voluntary programs by farming their permitted acreage more intensively. Nonparticipants have planted without restriction, their prices protected in part by price support loan levels which, for much of the past, have been set above world market levels. Mandatory programs have eliminated the difficulties with nonparticipants but have not prevented slippage due to intensive farming. True marketing quotas, which would control quantity as well as acreage, have not been given a enough of a trial on which to base conclusions. The other major tool, long-term conservation reserves, has usually enrolled lands with low yields and, thus, has not had much impact on production. Despite their only qualified success, acreage controls have been seen as a necessary part of price support programs by every administration that has had to face the problem of overproduction.

Nevertheless, there are currently several proposals before Congress for reforming the price support and adjustment machinery. It is a striking commentary on the last half century's experience with acreage reduction--reinforced by the atmosphere of crisis brought about by farm financial problems, low exports, and the expense of the 1981 and 1985 farm bills--that these proposals are major departures from past programs. At one end of the spectrum is the Byrd-Harkin bill which, in effect, revives the Kennedy-Freeman mandatory control program with its use of quantity limits as well as acreage allotments in conjunction with higher loan rates. At the other is the Boschwitz-Boren proposals which eliminate acreage reduction, lower loan rates, and give farmers freedom to plant what they want--something they have previously had only in times of strong demand. Transitional payments would smooth the way to the new market-oriented system. The administration's "decoupling" proposal--to pay 92 percent of deficiency payments to farmers who plant anywhere from 0-92 percent of their permitted acreage--is also a

departure in that it would separate the payment of subsidies from production of particular commodities. The Food Security Act had provided partial decoupling (92 percent of deficiency payments for planting 50-92 percent of permitted acreage) and also froze historical program yields for calculating deficiency payments so that farmers would have less incentive to increase yields. The new administration proposal goes further and, in addition, would lower program costs by lowering target prices substantially. None of these bills seems likely to become law this year, but the fact that they are being seriously proposed shows the level of disenchantment with past policies.

EFFECTS OF ACREAGE REDUCTION PROGRAMS
DURING THEIR FIRST TWO YEARS

average nonprogram years	average program vs years	% harvested acreage change	% yield change	% production change
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Wheat

=====
===
1931-32 1933-34 -19.8 -20.7 -36.5
1937-38 1939-40 -20.9 9.3 -13.3
1952-53 1954-55 -26.8 6.2 -22.5
1976-77 1978-79 -13.5 4.6 -6.8
1980-81 1982-83 <u>-8.2</u> <u>10.1</u> <u>0.4</u>
Averages -17.8 1.9 -15.7
Ave. w/out drought (1933-34) -17.4 7.6 -10.6

Corn

=====
===
1932-33 1934-35 -13.1 -19.1 -29.6
1936-37 1938-39 -3.5 28.4 23.7
1952-53 1954-55 -1.1 -2.4 -3.4
1959-60* 1961-62* -21.0 17.9 -6.8
1976-77* 1978-79* 0.8 17.7 18.8
1980-81* 1982-83* <u>-15.8</u> <u>-2.9</u> <u>-15.9</u>
Averages -9.0 6.6 -2.2
Ave. w/out drought (1934-35) -8.1 11.7 3.3

*Corn for grain only.

Cotton

=====
===
1931-32 1933-34 -24.5 -0.2 -24.9
1936-37 1938-39 -24.3 1.1 -24.3
1952-53 1954-55 -27.9 25.5 -10.1
1980-81 1982-83 <u>-36.9</u> <u>16.1</u> <u>-26.2</u>
Averages -28.4 10.6 -20.7

Rice

=====
===
1936-37 1938-39 2.0 1.2 3.2
1953-54 1955-56 -27.9 25.1 -9.9
1980-81 1982-83 <u>-23.6</u> <u>0.8</u> <u>-23.0</u>
Averages -16.5 9.0 -9.9

Source: Agricultural Statistics, 1957, 1967, 1985.

1. U. S. Department of Agriculture, Agricultural Statistics, 1941 (Washington: Government Printing Office, 1941), 10, 117.
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10. Jeffrey A. Zinn, "Long-Term Conservation Reserve: Proposals and Issues in the 98th Congress," Congressional Research Service, Library of Congress, April 1984, 5-7; Gladys Baker, et. al., Century of Service (Washington: Government Printing Office, 1963), 386; Cochrane and Ryan, American Farm Policy, 262-263.
11. Douglas E. Bowers, Wayne D. Rasmussen, and Gladys L. Paker, History of Agricultural Price-Support and Adjustment Programs, 1933-84 (Washington: Economic Research Service, AIB 485, 1984), 23-24; Don f. Hadwider, Federal Wheat Commodity Programs (Ames: Iowa State University Press, 1970), 239-252.
12. Douglas E. Bowers, "Payments-in-Kind: A Brief History," Economic Research Service, 1982, 2-4, 11; Agricultural Statistics, 1967, 35, 45, 53, 63.
13. Agricultural Statistics, 1972, 562.
14. James Johnson, et. al., Provisions of the Agriculture and Food Act of 1981 (Washington: Economic Research Service, 1982). A 1983 act ended mandatory controls for ELS cotton and replaced them with voluntary paid acreage diversions.

15. Government Accounting Office, 1983 Payment-in-Kind Program Overview: Its Design, Impact, and Cost (Washington: GAO, 1985), 31.

16. Lewrene K. Glaser, Provisions of the Food Security Act of 1985 (Washington: U. S. Department of Agriculture, Agriculture Information Bulletin No. 498, 1986).

17. U. S. Department of Agriculture, Press Release, 499-87, April 28, 1987.

COMMODITY PROGRAM UPDATE

by LeRoy Rude*

<u>Commodity</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Wheat</u>				
Target price (\$ per bu.)	4.38	4.38	4.38	4.38
Loan level (\$ per bu.)	3.30	3.30	2.40	2.28
Reserve loan level (\$ per bu.)	<u>1/3.30</u>	<u>1/3.30</u>	<u>1/2.40</u>	N.R.
Reserve release level (\$ per bu.)	4.45	4.45	4.45	N.R.
Acreage reduction (percent)	20	20	22.5	27.5
Paid land diversion (percent)	10	10	4/2.5/5-10	--
Payment-in-kind (percent)	<u>2/10-20</u>	--	--	--
Nat'l base acreage (mil. acres)	93.9	93.9	92.6	89.6
<u>Corn</u>				
Target price (\$ per bu.)	3.03	3.03	3.03	3.03
Loan level (\$ per bu.)	2.55	2.55	1.92	1.82
Reserve loan level (\$ per bu.)	<u>1/2.55</u>	<u>1/2.55</u>	<u>1/1.92</u>	N.R.
Reserve release level (\$ per bu.)	3.25	3.25	3.25	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	81.4	83.3	81.9	83.3
<u>Grain Sorghum</u>				
Target price (\$ per bu.)	2.88	2.88	2.88	2.88
Loan level (\$ per bu.)	2.42	2.42	1.82	1.74
Reserve loan level (\$ per bu.)	2.42	2.42	1.82	N.R.
Reserve release level (\$ per bu.)	3.10	3.10	3.10	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	18.4	19.9	18.8	18.1
<u>Barley</u>				
Target price (\$ per bu.)	2.60	2.60	2.60	2.60
Loan level (\$ per bu.)	2.08	2.08	1.56	1.49
Reserve loan level (\$ per bu.)	2.08	2.08	1.56	N.R.
Reserve release level (\$ per bu.)	2.65	2.65	2.65	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	11.6	13.2	12.4	12.9
<u>Oats</u>				
Target price (\$ per bu.)	1.60	1.60	1.60	1.60
Loan level (\$ per bu.)	1.31	1.31	.99	.94
Reserve loan level (\$ per bu.)	1.31	1.31	.99	N.R.
Reserve release level (\$ per bu.)	1.65	1.65	1.65	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	9.9	9.9	9.1	8.7

Continued--

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Commodity Program Update--Continued

<u>Commodity</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>Rye</u>				
Loan level (\$ per bu.)	2.17	2.17	1.63	1.55
<u>Soybeans</u>				
Loan level (\$ per bu.)	5.02	5.02	4.77	N.R.
<u>Upland Cotton</u>				
Target price (cents per lb.)	81.00	81.00	81.00	79.4
Loan level (cents per lb.) <u>3/</u>	<u>1/55.00</u>	57.30	<u>1/55.00</u>	<u>1/52.25</u>
Acreage reduction (percent)	25	20	25	25
Paid land diversion (percent)	--	10	--	--
Nat'l base acreage (mil. acres)	15.6	15.8	15.6	15.0
<u>Extra Long Staple (ELS) Cotton</u>				
Target price (cents per lb.) <u>3/</u>	99.00	103.14	102.48	97.7
Loan level (cents per lb.) <u>3/</u>	82.50	85.95	84.50	81.4
Acreage reduction (percent)	10	10	10	15.0
Nat'l base acreage (1,000 acres)	68.3	66.0	77.7	85.9
<u>Rice</u>				
Target price (\$ per cwt)	11.90	11.90	11.90	11.66
Loan level (\$ per cwt)	<u>1/8.00</u>	<u>1/8.00</u>	<u>1/7.20</u>	<u>1/6.84</u>
Acreage reduction (percent)	25	20	35	35
Paid land diversion (percent)	--	15	--	--
Nat'l base acreage (mil. acres)	4.2	4.2	4.2	4.2
<u>Flue-cured Tobacco</u>				
Loan level (cents per lb.) <u>3/</u>	169.9	169.9	143.8	143.5
Effective marketing quota (mil. lbs.)	840	763.8	699	745
<u>Burley Tobacco</u>				
Loan level (cents per lb.) <u>3/</u>	175.1	178.8	148.8	148.8
Effective marketing quota (mil. lbs.)	697	541.7	463	520
<u>Peanuts</u>				
Loan level, quota (\$ per ton) <u>3/</u>	550	559	607.47	607.47
Loan level, non-quota (\$ per ton)	185	148	149.75	149.75
Marketing poundage quota (1,000 tons)	1,134	1,100	1,355.5	1,355.5
<u>Wool</u>				
Support level (cents per lb.) <u>3/</u>	165	165	178	181
<u>Mohair</u>				
Support level (cents per lb.) <u>3/</u>	517	443	493	495
<u>Sugar</u>				
Loan level for raw cane (cents per lb.)	17.75	18.00	18.00	N.R.
Loan level for refined beet (cents per lb.)	20.76	21.06	21.09	N.R.
<u>Honey</u>				
Loan level (cents per lb.)	<u>3/65.8</u>	<u>3/65.3</u>	64.0	63.0

N.R. = Not Released.

1/ Minimum allowed by law.

2/ Wheat PIK for 1984--wheat producers could choose any level of participation from 10 to 20 percent, inclusive.

3/ Determined by statutory formula.

4/ The 2.5 percent is mandatory for program participation. Winter wheat producers have two options for additional paid diversion -- 5 percent or 10 percent. Payments are made in the form of commodity certificates.

5/ Payments are made in the form of commodity certificates.

AGRICULTURE - FOOD POLICY UPDATE: ADMINISTRATIVE DECISIONS
by Lewrene Glaser*

GRAINS AND COTTON

1986-Crop Deficiency Payments--USDA made approximately \$2.1 billion in additional deficiency payments to eligible wheat, barley, and oat producers for their 1986 crops. Wheat farmers received about \$2 billion, barley producers about \$55 million, and oat producers about \$25 million. Half of the additional payments were made in cash, subject to the 4.3 percent Gramm-Rudman reduction, and half in generic certificates. About \$1.4 billion in advance payments had already been made for wheat, \$150 million for barley, and \$15 million for oats. Eligible oats and barley producers will received additional deficiency payments in July 1987 if season average prices for the two commodities are below basic loan rates. The wheat payment originally scheduled for 1987 was moved up to December 1986 by the 1987 Appropriations Bill.

Eligible producers of 1986-crop corn and sorghum received an estimated \$600 million in deficiency payments. Corn producers got about \$515 million and sorghum producers about \$85 million. Again, half of the additional payments were made in cash, subject to the 4.3 percent Gramm-Rudman reduction, and half in generic certificates. Corn and sorghum producers who requested advance deficiency payments previously received about \$2.8 billion and \$225 million, respectively. Eligible producers will receive another 1986-crop deficiency payment in October 1987 if the season average prices for corn and sorghum are below the basic loan rates.

Eligible upland cotton farmers received final deficiency payments of \$450 million for their 1986 crop, based on a payment rate of 26 cents per pound. Producers who requested advance payments previously received 40 percent of the final payment, at a rate of 10.4 cents per pound. Twenty-five percent of the advance payments were made in generic certificates and 75 percent in cash; the balance was paid entirely in cash. Eligible rice farmers got approximately \$545 million in deficiency payments for their 1986 crop. About \$208 million of the \$545 million had already been paid to producers who requested advance payments. Advance payments included \$53 million in generic commodity certificates and \$155 million in cash. The estimated balance of \$337 million was paid in cash.

Farmer-Owned Reserve--USDA announced on January 16 that 1986-crop wheat and feed grains (corn, sorghum, barley and oats) pledged as collateral for price support loans will not be permitted entry into the Farmer-Owned Reserve. The quantities in the reserve exceed the upper limits announced May 30, 1986. The upper limit for wheat is approximately 360 million bushels, and approximately 560 million bushels (corn equivalent) for feed grains.

World Rice Price--USDA is continuing its weekly announcements of the prevailing world market prices for rice on a loan rate basis. The prices are used in determining the repayment rates for 1986-crop warehouse

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or farm-stored loans; the repayment rate is the higher of the world price or 50 percent of the loan rate for each type of rice. Since November 1986, the prices for long grain whole kernels have ranged from 5.57 to 5.98 cents per pound; for medium whole grain kernels, from 4.95 to 5.28 cents; for short grain whole kernels, from 4.95 to 5.22 cents; and for broken kernels, from 2.78 to 2.99 cents.

Cross Compliance Lifted for 1987-Crop Oats--To help alleviate the short supply of oats, USDA announced on February 27 that it is lifting the limited cross compliance requirement for the 1987 crop. Oats may now be planted in excess of its acreage base without sacrificing eligibility for other crop program benefits. Plantings of barley on farms having a barley/oat base and also participating in another crop program cannot exceed the barley acreage base. Producers participating in the 1987 barley program must limit their planted acreage of barley and/or oats to not more than the barley/oat permitted acreage.

World Upland Cotton Price--USDA is continuing its weekly announcements of the prevailing world market price, adjusted to U.S. quality and location, for Strict Low Middling 1-1/16 inch (micronaire 3.5-4.9) upland cotton (base quality). The price is used in determining First Handler Cotton Certificate payment rates. The price announced on November 6, 1986, was 37.70 cents per pound. It increased to 53.62 cents on January 23 and then decreased slightly to 50.45 cents on March 12. The price has since recovered to 56.82 cents per pound on April 30.

1987 Extra Long Staple (ELS) Cotton Program--On November 21, 1986, USDA announced the 1987 ELS cotton program. Provisions include:

- a national loan rate of 81.4 cents per pound,
- a target price of 97.7 cents per pound,
- a 15 percent acreage reduction,
- a recourse loan program for ELS seed cotton,
- no offsetting or limited cross compliance requirements, and
- no advance deficiency payments.

Signup for the program began January 2 and ended March 30.

1987 Upland Cotton Program--USDA announced additional provisions for the 1987 upland cotton program on March 20. The provisions include:

-- A loan repayment rate under the Plan B marketing loan program equal to the lesser of the loan level or the adjusted world market price, which is the world price adjusted to U.S. quality and location. Whenever the adjusted world price for a week in which a loan redemption occurs is less than the loan level of 52.25 cents per pound, producers may repay their 1987-crop price support loans at the adjusted world price in effect for that week. The adjusted world price will be further adjusted to other qualities and locations using the 1987-crop price support loan program schedules of premiums and discounts.

-- If the loan repayment rate is less than the loan level, loan deficiency payments will be paid to eligible producers who agree to forgo loan eligibility. The payment rate will equal the difference between the loan level and the loan repayment rate during the week in which the cotton is sold. For the 1987 crop, USDA plans to propose a rule that would amend the upland cotton loan program regulations to allow producers to receive loan deficiency payments on a bale-by-bale basis.

-- Additional yield payments will be made to any producer whose 1987 farm program payment yield is reduced more than 5 percent below the 1985 farm program payment yield. Payment will be in generic certificates at a rate designed to provide the same total return to the producer as if the farm program payment yield had been reduced by only 5 percent.

-- Generic commodity certificates issued under the 1987 upland cotton program will be governed by the same rules and regulations as generic certificates issued under other commodity programs. A certificate may be used to obtain Commodity Credit Corporation (CCC) inventory consisting of 1985, 1986, and 1987 crop upland cotton. The cotton will be valued at the adjusted world price in effect for the week in which the certificate is presented to the CCC for exchange.

USDA released the discount and premium schedules and the associated schedule of loan rates for the 1987 crops of upland and ELS cotton on April 15.

1987 Rice Program--The milled rice loan rate differential and the class loan rates for 1987-crop rice were released by USDA on November 14, 1986. The differential between whole kernal milled rice loan rates is set at \$1.00 per hundredweight(cwt). Whole kernal milled rice loan rates are \$11.36 per cwt for long grain and \$10.36 per cwt for medium and short grain. The broken kernal rate for all rice classes is \$5.68 per cwt. The national average rough rice loan rate for the 1987 crop was previously announced at \$6.84 per cwt. Loan deficiency payments will not be offered.

1988 Wheat Program--On April 24, USDA announced it is seeking comments on provisions of the 1988 wheat program. Public comments, which were due May 15, will be considered along with current data on U.S. and world crop conditions and the supply/demand outlook before final program decisions are made. USDA sought comments on the following:

-- The percentage reduction under an acreage reduction program. Since 1987-crop ending wheat stocks are expected to exceed 1 billion bushels, legislation requires the reduction to be between 20 and 30 percent.

-- The loan and purchase level. The basic loan level cannot be lower than \$2.71 per bushel, except when the Secretary determines it advisable to adjust it down to as low as \$2.17 per bushel to maintain competitiveness in national and international markets.

-- Whether a marketing loan, inventory reduction program, and related provisions should be implemented.

-- The established target price. The target price may not be lower than \$4.29 per bushel.

-- Whether an optional land diversion program should be established and, if so, the percentage to be diverted and the payment rate.

-- Whether a portion of the deficiency and/or diversion payments should be made in commodity certificates.

-- Provisions of the farmer-owned reserve program.

-- Whether a wheat export certificate program should be implemented.

-- Whether the special wheat grazing and hay program should be implemented.

1988 Common Program Provisions--Also on April 24, USDA announced it is accepting comments on provisions common to the 1988 wheat, feed grains, upland cotton, ELS cotton, and rice programs. USDA will consider comments on the following:

-- Under the 50/92 provision, if producers plant between 50 and 92 percent of their permitted acreage to a program crop and designate 8 percent of their permitted acreage to conserving use (CU), any additional CU acreage above the 8 percent may be eligible for deficiency payments. USDA asks for comments on whether the production of approved non-program crops should be allowed on such CU acreage, or if all acreage should be maintained in conserving uses; and on whether haying and grazing should be permitted on CU acreage designated under the 50/92 provision. USDA proposes not to allow such use for 1988. Haying and grazing of this acreage was permitted for the 1987 crops.

-- Whether to permit the production of alternative crops on reduced acreage (known as ACR, for Acreage Conservation Reserve). It is proposed that the production of alternative crops on ACR land not be allowed for the 1988 crops; such production was not allowed for the 1987 crops.

-- Whether to require offsetting or cross compliance. USDA proposes that limited cross compliance requirements (except for ELS cotton) be in effect for the 1988 commodity programs, but that offsetting compliance requirements not be in effect. Under limited cross compliance, to be eligible for benefits for a wheat, feed grain, upland cotton, or rice crop, the acreage planted for harvest on a farm in other commodities, except for ELS cotton, may not exceed the crop acreage bases of such commodities. If offsetting compliance requirements are not in effect, eligibility for a program payment and loan for a commodity on a farm will not be affected by actions taken with respect to that commodity on another farm.

-- Whether advance payments should be offered.

-- Whether an advance recourse commodity loan program should be made available. USDA proposes not to implement such a program for the 1988 crops.

-- Whether a multi-year set-aside program should be implemented. USDA proposes not to implement this program for the 1988 crops.

-- Whether producers should be permitted to increase a crop acreage base by up to 10 percent of the farm acreage base if corresponding decreases in one or more crop acreage bases are made. It is proposed that this adjustment option not be authorized for the 1988 crops.

-- Whether the Secretary should implement a program to allow producers who repay loans with interest to be issued certificates in an amount equal to the interest paid on such loans.

Commodity Certificates--On November 17, 1986, USDA announced that producers who received commodity certificates dated November 17, or later, will have an additional three months before the expiration date to submit certificates to the CCC for cash. Producers will also be able to transfer the commodity certificate through the expiration date shown on the certificate. All holders of commodity certificates have until the expiration date shown on the certificates to transfer or sell their certificates. Before this change, a producer who earned a commodity certificate could not transfer the certificate after the first transfer deadline shown on the certificate and could receive cash only during the 10 business days following the first transfer deadline.

USDA changed the procedures for commodity certificate exchange on December 1, 1986, to help insure that commodity values used for redemptions accurately reflect market conditions. The changes are as follows:

-- Commodity values will be determined on the basis of a comparison of

at least two applicable terminal markets instead of the previous single market computation. Values will also be adjusted to reflect the receiving charge CCC has already paid the storing warehouseman.

-- All certificate exchange requests must be made by telephone, and CCC will adjust values used in determining exchange rates during the day as market conditions warrant.

-- New catalogs were issued listing CCC commodities eligible for exchange. The catalogs contain approximately 25 percent of the total CCC grain stored in each county warehouse and approximately 50 percent of the total grain stored in each terminal warehouse. Because of expanded availability of CCC commodities for redemption, warehousemen are no longer being given the option of redeeming CCC-owned commodities stored in their warehouses except as listed in the catalogs.

-- All grain in emergency storage was placed in the catalog to reduce the risk of loss of quality and to encourage its movement to conventional storage. A separate catalog was issued listing all CCC-owned grain stored on barges, which can be redeemed with commodity certificates.

-- Agricultural Stabilization and Conservation Service (ASCS) county offices, when accepting commodity certificates for redemption of producer loans, will also use the multi-market comparisons, but will not make intra-day price changes. No adjustments will be made for receiving charges when certificates are used to redeem loans.

USDA announced on December 4, 1986, that cotton-specific commodity certificates issued as early payments under the Inventory Protection Program with an August 1, 1986, issuance date and any generic certificates, regardless of when they were issued, can be exchanged for upland cotton in CCC inventory beginning January 2. Other cotton-specific certificates may be exchanged for upland cotton beginning 5 months from the last day of the month in which such certificates were issued.

Expiration dates on upland cotton certificates issued under the 1986 upland cotton program are being extended, a USDA official announced on March 13. Previously, upland cotton certificates expired 9 months from the last day of the month in which they were issued. Under the new procedure, all current outstanding and all new upland cotton certificates issued under the 1986 upland cotton program will have an expiration date of either February 29, 1988 or 9 months from the last day of the month in which the certificate is issued, whichever is later. The certificates are being extended because of a shortage of CCC inventory available for exchange. The extension will provide owners of upland cotton certificates the option of holding these certificates until the 1987-crop becomes available in all areas.

On April 6, USDA announced that original holders of generic certificates that expired December 31, 1986, through March 31, 1987, could request that the certificates be exchanged for cash. To apply for payment, original holders had to return expired certificates by May 15 to the ASCS county office where they were issued, along with a written request that they be exchanged for cash. ASCS county committees will review the requests, and, upon approval, will authorize payment equal to the face value of the certificates less 15 percent for handling and the required 4.3 percent Gramm-Rudman reduction. This one-time offer was made because the use of certificates is relatively new and some original holders were unaware of the importance of using them before their expiration dates.

1986 Disaster Payments Program--USDA announced on December 19, 1986, that nonprogram crops will be considered individually when determining if producers in disaster-affected counties qualify for compensation under the 1986 Disaster Payment Program. Eligibility for disaster assistance requires that a producer must have suffered more than a 50 percent loss of production in 1986 because of floods or hail or excessive heat or moisture. If the nonprogram crop's value was affected adversely by the disaster, this factor will be considered as well as the payment level. In determining the eligibility, Public Law 99-500 provides that two factors must be considered: whether there has been a substantial loss of production of the nonprogram crop and whether an economic emergency has occurred. The statute provides only for consideration of a loss of actual production for program crops. Therefore, a quality adjustment will not be considered for wheat, feed grains, upland cotton, rice, soybeans, sugar beets, sugar cane and peanuts. Producers eligible for disaster program assistance had to file an application for their disaster payment during the period January 12-30, 1987. Other program provisions include:

- Program crops will be considered individually in determining compensation for losses.

- With respect to program crops, eligible counties are those in which Farmers Home Administration (FmHA) emergency loans are available for losses of 1986 crops caused by drought, excessive heat, excessive moisture, flood or hail. For nonprogram crops, eligible counties are those in which producers became eligible subsequent to July 1, 1986, to receive FmHA loans.

- Producers requesting disaster program assistance were required to furnish acreage and production reports. The county Agricultural Stabilization and Conservation committee will use the reports to determine whether the producers sustained a loss of production that will qualify for disaster assistance. The producers also had to provide, when available, evidence of their actual yield for 1983, 1984 and 1985 for all crops except wheat, feed grains, upland cotton, peanuts and certain kinds of tobacco.

- In the case of wheat, feed grains, upland cotton and rice, only producers who participated in the 1986 commodity production adjustment program for the respective crop were eligible for disaster assistance.

- Payments will be made in generic commodity certificates.

- In general, payments to eligible producers for a crop will be computed by multiplying 50 percent of the disaster payment yield for the crop times the eligible acreage, subtracting the 1986 actual production, and multiplying the product by the payment rate. The payment rate will be the price support loan rate for the crop. For a crop for which there is no loan rate, the payment rate will be an average market price for the crop.

- Payments to a person will be limited to \$100,000 for program crops and \$100,000 for nonprogram crops.

On February 20, USDA announced that over 120,000 producers in 39 States will receive \$400 million in generic commodity certificates under the 1986 Disaster Payments Program. County ASCS offices began mailing certificates during the end of February. Claims for both program and nonprogram crops totaled almost \$535 million. PL 99-500 provided \$400 million for payments, so claims will be paid at approximately 74 cents on the dollar.

Special Producer Storage Loan Program--Producers with maturing grain loans under the Special Producer Storage Loan Program have the opportunity to re-extend their loans in one-year increments, USDA announced on January 12. A

Special Producer Storage Loan is an extension of the 3-year Reserve Storage Loan. The option to re-extend their loans will permit producers to continue control of their grain and give them more time to decide whether to repay the loan or forfeit the grain to the CCC. Advance storage payments at the same rate applicable to the farmer-owned grain reserve program will continue to be made on the reextended loans. Interest will be charged at the rate in effect for the maturing loans. Producers will continue to have the option of repaying the loans in cash or with commodity certificates or forfeiting their grain to CCC when the Special Producer Storage Loans mature.

Prices Received by Farmers--The National Agricultural Statistics Service (NASS) announced on January 16 that it will exclude certain Federal payments to cotton and rice farmers mandated by the Food Security Act of 1985 when it computes prices received by farmers. Excluding those payments will help keep the agency's historical price series intact. Traditionally, NASS computes the average price received by farmers by dividing the total dollars paid for the commodity at the first point of purchase by the amount sold. All direct Federal payments are excluded. With this price information, NASS determines the value of crop marketings and cash receipts, which are important inputs in the computation of farm income. However, the Food Security Act introduced several elements that affect prices received. Among them are First Handler Certificates, which are issued to buyers of 1986 cotton for the difference between the world price and the loan repayment rate. NASS will define the First Handler Certificates as direct Federal payments to the marketing sector, and thus exclude them from the prices-received computation. NASS will also consider cotton producers' option payments as direct Federal payments to producers. Under another provision of the law, currently in effect for rice, loans are repaid at less than loan value, using a fixed percentage rate of the world price. This difference between the loan value and the loan repayment rate is retained by the producer. NASS considers this difference a direct Federal payment and will exclude it when determining the average price received by farmers.

Warehouse Space--When contracting for warehouse storage space for grain and cotton for the contract year 1987-88, USDA announced on February 6 that it will accept reasonable offers. Warehousemen will continue to submit offers to store and handle grain as in the past. If a warehouseman offers rates that are considered to be above levels acceptable to the CCC, it will not accept those rates but will negotiate further with the warehouseman. CCC will try to limit increases in its storage costs, while insuring that storage space is available and not restricting a warehouseman's effort to serve his customers. Also, warehousemen must certify that they are not charging CCC more than they would charge other commercial customers.

CCC Loan Extensions Offered--On February 27, USDA announced that producers holding CCC loans on 1985 and 1986-crop feed grains, rye, soybeans, and wheat may, at their option, extend those loans for 12 months. This would be the second 12-month extension for 1985 loans. The action was taken to encourage producers to take advantage of all available on-farm storage space. The action would also give additional marketing flexibility to producers who have outstanding loans on barley, corn, oats, rye, sorghum, soybeans, or wheat. Storage costs for the added 12-month loan period will be paid by CCC for all the above commodities except soybeans. Annual storage rates are 26.5 cents per bushel for wheat, barley, and corn; 47.32

cents per cwt grain sorghum; and 20 cents per bushel for oats. Advance storage payments will be issued.

1987 Farm Program Signup Results--Producers have signed contracts to place 194.5 million acres of feed grain, wheat, upland cotton, rice, and ELS cotton acreage bases in the 1987 acreage reduction programs, according to a preliminary report issued by USDA on April 28. The acreage enrolled in 1987 commodity programs represents 84 percent of the 231.7 million acres of total crop acreage bases established for these commodities. For the 1986 programs, 81.5 percent of the 234.6 million crop acreage base was enrolled. Participation by commodity for 1987 is: 83.4 percent for wheat, 87.8 percent for corn, 83.0 percent for grain sorghum, 82.3 percent for barley, 93.4 percent for rice, and 89.1 for upland cotton. Acreage required to be taken out of production under the program and devoted to conservation uses totals 54.4 million acres. This is 10.7 million acres above last year. This does not include approximately 17 million acres retired under the Conservation Reserve Program. The diverted acreage includes 20.5 million from wheat and 21.5 million from corn (14.6 million acres of set aside and 6.9 million acres of paid land diversion). Base acreages enrolled in the programs include 102.6 million acres of feed grains (of which 73.2 million acres are corn), 74.7 million acres of wheat, 13.3 million acres of upland cotton, 3.9 million acres of rice and 14,919 acres of ELS cotton. A final report of total acreage enrollment and 50/92 enrollment will be issued after June 1, 1987.

Barley Standards Proposed--On November 24, 1986, USDA proposed further revisions in the Federal grade standards for barley to simplify the standards and to bring them in line with current barley trading practices. The changes would remove the special grades "Tough," "Stained," "Bleached," and "Bright;" revise the definitions of sample grade, damaged kernels, and the classes of malting barley; remove black barley as a grade-determining factor; and revise certain terminology related to damaged or injured kernels. These revisions are in addition to those proposed on October 2, 1986. Comments were due December 22, 1986.

Grain Inspection Fees--Effective January 5, USDA increased its fees for Federal inspection and weighing of grain, and established a new fee for Federal Grain Inspection Service (FGIS) supervision of Class Y ship weighing services for grain shipments to domestic markets only. Under the new fee schedule, fees for original inspection and weighing services on a contract basis increased approximately 17 percent; for inspection and weighing on a noncontract basis, 27 percent; for reinspection, appeal inspection, board appeal inspection and review of weighing, 30 percent; and for inspection services performed in Canada, 31 percent on on contract basis and 42 percent on a noncontract basis. The new fee for each supervision of official Class Y domestic ship weighing is \$12.30 per ship. The fee increases are intended to cover operation, supervision, and administrative costs. Fees for inspection and weighing services were last revised on August 1, 1984.

Optimal Grain Grading System--FGIS announced on February 12 that it is seeking public comments on adopting an optimal grading system for grain, and on how the U.S. standards for grain can be revised to improve grain quality. An optimal grading system would replace the present grading method by establishing a sample grade representing the "optimal" condition for a type

of grain. Grain would then be graded numerically based on its deviation from the optimal grade. For grain to be designated optimal, it could not contain more than one-half of one percent foreign material or damaged kernels. Comments were due April 13. The administrator of FGIS was to report to Congress by May 1 on the comments received, and on his recommendations on an optimal grain grading system.

Hay and Straw Inspection and Grading--USDA discontinued the inspection and grading of hay and straw on March 13. Requests for official inspection have declined to such a low level that the program is no longer needed.

Standards for Insects in Grain Shipments--USDA proposed on March 19 tightening Federal standards setting allowable limits on insect infestation in grain shipments. Under the FGIS proposal, the changes in the standards would include:

- Establishing equal tolerances for the number of live insects in shipments of food grains, feed grains, and seeds for oil;
 - Revising the definition of "infested" to give equal value to all insects injurious to grain;
 - Establishing lower levels of infestation: in 1988, the infested level would be set at three or more live insects per representative sample (about 1000 grams); in 1990, two or more insects; and in 1992, the final infested level would be set at one or more live insects per representative sample;
 - Revising the definition of Sample grade by adding a limit of 10 live or dead insects per sample;
 - Revising the definition of Sample grade for wheat by adding a limit of 32 insect-damaged kernels per 100 grams of wheat.
- Public comments were due April 17.

Adjusting Discount Schedule to Improve Grain Quality--On April 8, USDA announced it is requesting public comments on the usefulness of adjusting the CCC's discount and premium schedules to improve the quality of grain it accepts as loan collateral under price support programs. The CCC's annual schedule stipulates the premiums and discounts used for valuing the grain it accepts or purchases during the year. The premiums and discounts are based on quality factors such as moisture content and kernal damage. The Grain Quality Improvements Act of 1986 requires USDA to conduct a study of the feasibility and appropriateness of adjusting the schedule for the purpose of improving the quality of grain pledged as collateral for CCC loans or other grain owned by the CCC. Comments were due May 10.

Measuring Wheat Protein--Effective April 15, USDA is requiring that near-infrared reflectance instruments used to officially measure the protein content of hard red spring wheat be adjusted to lower the readings by 0.2 percent. FGIS is requiring the adjustments to ensure more accurate measurements of the protein content of hard red spring wheat. In addition, effective May 1, FGIS is making several procedural changes to improve the accuracy and reliability of the official protein testing program, including the imposition of stringent quality control procedures.

Wheat Protein Content--For one year beginning May 1, USDA will certify the protein content of wheat on any percentage-of-moisture basis requested by the client. This interim action delays until May 1, 1988, formalization of

plans by FGIS to certify protein content in wheat only on a 12-percent-moisture basis. The grain industry requested the delay because it needed the time to adjust to the new reporting requirements.

OILSEEDS AND TOBACCO

Peanut Warehouse Storage Regulations--Final regulations for peanut warehouse storage loans and handler operations for the 1986-90 peanut crops were issued by USDA on December 5, 1986. These final regulations reflect changes made by USDA after considering comments on the interim rule issued June 17, 1986, and amendments to the interim rule issued July 31, 1986. The changes include the following:

-- For the 1986-crop, all handlers were required to post a letter of credit representing the difference between the quota and additional support rates on 5 percent of the pounds contracted. Handlers electing nonphysical supervision posted a letter representing 10 percent of the pounds contracted. For the 1987-90 crops, all handlers must post a letter of credit equal to 10 percent of the pounds contracted and for those electing nonphysical supervision, 15 percent.

-- Pool offsets for the "disaster transfer" pool will be made only against any other pool distributions to persons who transferred additional peanuts to the quota pool; these peanuts must be transfers made for pricing purposes as permitted by the regulations.

-- Pool proceeds for Valencia-type peanuts grown in New Mexico will not be offset except for determining net gains and making offsets for disaster transfers.

-- Substitution of quota peanuts for additional peanuts used in the domestic market will be permitted for handlers electing physical supervision. The rules will essentially be the same as those in effect before 1986, except that matching exact screen sizes is no longer required; exact grades must now be substituted.

-- For handlers electing nonphysical supervision, the allowance for shrinkage is 0.5 percent.

1987 Peanut Poundage Quota--USDA announced on December 12, 1986, a national poundage quota of 1,355,500 short tons, or 2,711 million pounds, for the 1987 crop of peanuts, the same as in 1986. As required by the Food Security Act of 1985, the national poundage quota for the 1987 crop of peanuts is equal to the estimated quantity of peanuts devoted to domestic edible, seed and related uses in the 1987 marketing year, beginning August 1, 1987.

1987 Peanut Support Levels--Peanut growers will receive a national support level of \$607.47 per short ton for 1987-crop quota peanuts, the same as last year, Secretary of Agriculture Richard Lyng announced on February 13. Lyng also announced that the sale price for 1987-crop additional peanuts owned or controlled by the CCC will be sold for export edible use at no less than \$400 per ton, the same as 1986. For 1987-crop additional peanuts, growers will receive \$149.75 per short ton, unchanged from 1986. Additional peanuts are those grown in addition to a farm's poundage quota or those grown on a farm without a poundage quota.

1987-Crop Differentials for Peanuts--USDA proposed on April 22 price support differentials for the 1987 peanut program that would continue the same

relationships among types of peanuts that were used in last year's program. The differentials are used to adjust price-support levels for types of peanuts, based on quality, location, and other factors. The 1987 differentials are based on the national average quota-support level of \$607.47 per ton. Proposed 1987 price-support levels vary from \$573.26 per ton for Spanish peanuts, to \$606.73 for Virginia and Valencia peanuts, to \$611.61 for Runner peanuts.

1986 Grade Loan Rates for Burley Tobacco--On November 6, 1986, USDA released the loan rates for various grades of 1986-crop burley tobacco, which reflect the national support level of \$1.488 per pound and range from \$1.63 to \$1.00 per pound. Many grade loan rates have been adjusted to bring them more into line with current market demand, which should be beneficial to producers and the tobacco industry by lowering no net cost assessments and increasing domestic and export market sales.

1986 Price Support for Six Kinds of Tobacco--Also on November 6, 1986, USDA issued 1986-crop price support levels for six kinds of tobacco. The support levels for 1985 are included for comparison.

Kind of tobacco	1986	1985
	Support Level	Support Level
	Dollars per pound	
Fire-cured (type 21)	1.200	1.188
Fire-cured (types 22-23)	1.242	1.230
Dark air-cured (types 35-36)	1.058	1.047
Sun-cured (type 37)	1.060	1.094
Cigar binder & filler (types 42-43-44 and 53-54-55)	0.916	0.907
Puerto Rican (type 46)	0.750	0.740

Price support programs for tobacco are administered by loans to producer associations. The 4.3 percent Gramm-Rudman reduction will be applied to any CCC tobacco loans.

Standards for Burley and Dark Tobacco--USDA revised the grade standards for fire-cured, burley, and dark air-cured tobacco on November 10, 1986, to describe more accurately the types and condition of tobacco in the marketplace. The revisions reduce the number of size designations for fire-cured and dark air-cured tobacco, and add a special factor symbol for the fire-cured types to denote tobacco that is not sufficiently fired during the curing process. The revisions also add six new grades to the burley grade standards to describe tannish-buff color in the leaf (B) group, fine quality mixed color in the leaf (B) group and variegated color in the mixed (M) group. The revisions delete all tips (T) grades in the dark air-cured standards.

1986 Grade Loan Rates for Dark Air-Cured and Fired-Cured Tobacco--On November 21, 1986, USDA issued grade loan rates for 1986-crop Kentucky and Tennessee dark air-cured tobacco (types 35 and 36) and fire-cured tobacco (types 22 and 23). Loan rates reflect the average support level of \$1.058

per pound for the dark aired-cured tobacco and \$1.242 per pound for the fire-cured tobacco. Rates for dark air-cured range from 179.73 to 25.08 cents per pound. Rates for fired-cured range from 196.45 to 24.03 cents per pound. Adjustments were made for some grades to reflect the overall grade distribution, the one cent per pound higher support level and changes in market conditions. Assessments for the No Net Cost Tobacco Account have been suspended for producers of these tobaccos because current funds in the account are sufficient to cover anticipated losses.

1986 Grade Loan Rates for Virginia Fire and Sun-Cured Tobacco--Also on November 21, 1986, USDA issued grade loan rates for Virginia fire-cured (type 21) and Virginia sun-cured (type 37) tobaccos. As a condition of price support eligibility, producers are required to contribute to a No Net Cost Tobacco Account one cent for each pound of tobacco marketed. Loan rates for Virginia fire-cured are based on the average support level of \$1.200 per pound; rates range from 200 to 64 cents per pound. Loan levels for Virginia sun-cured are based on the average support of \$1.060 per pound; rates range from 200 to 67 cents per pound.

1987 Flue-Cured Tobacco Program--USDA announced on December 3, 1986, that U.S. cigarette manufacturers intend to purchase 355 million pounds of flue-cured tobacco, farm sales weight, from the 1987 crop. Intended purchases from the 1986 crop were 360.7 million pounds. USDA determines the annual flue-cured quota by totaling intended purchases by manufacturers, average annual exports for the 3 preceding marketing years, and the amount of tobacco needed to attain reserve stocks levels.

A 1987 flue-cured tobacco national marketing quota of 707 million pounds and a support level of \$1.435 per pound were announced by USDA on December 12, 1986. The three basic factors used by the USDA in calculating the quota resulted in a total of 687 million pounds. USDA increased the indicated quota to 707 million pounds by using its 3 percent discretionary adjustment factor reserved for the Secretary, so that the reduction in flue-cured supplies would be achieved in an orderly manner. The 1987 national quota is down 21.5 million pounds from the 728.5 million pound quota in effect for 1986. The 1987 national acreage allotment is 355,455 acres, down from the 1986 allotment of 366,264 acres. The 1987 price support is computed from a statutory formula based on changes in 5-year moving averages of market prices and cost-of-production indexes. The 1987 support level is 0.3 percent less than the 1986 level. Flue-cured tobacco is grown in Alabama, Georgia, North Carolina, South Carolina and Virginia.

1986 Grade Loan Rates for Wisconsin and Ohio Cigar Tobacco--On January 14, USDA issued loan rates for the grades of 1986-crop cigar filler and binder tobaccos (types 42-44 and 54-55). The rates are based on the average support level of 91.6 cents per pound. Rates for Ohio filler (types 42-44) tobacco range from 35 cents to \$1.00 per pound; for Wisconsin type 54, from 35 cents to \$1.04 per pound; and for northern Wisconsin type 55, from 35 cents to \$1.20 per pound. Assessments for the No Net Cost Tobacco Accounts are 18 cents per pound for Ohio filler (types 42-44) and 15 cents per pound for northern Wisconsin binder (type 55). Assessments have been suspended for southern Wisconsin binder (type 54) because current funds in the account are sufficient to cover anticipated losses on their loan stocks. Producers who do not agree to contribute to the no-net-cost account will be ineligible

for price support and subject to a penalty of 76 cents per pound for filler and binder tobaccos. The penalty equals 75 percent of 1985's average market price and is the same penalty that applies to the marketing of excess tobacco.

1987 Burley Tobacco Program--On January 21, USDA announced that U.S. cigarette manufacturers plan to purchase 293.7 million pounds of 1987-crop burley tobacco, farm sales weight. Planned purchases for the 1986 crop were 303.7 million pounds. The Agricultural Adjustment Act of 1938, as amended, requires major domestic cigarette manufacturers to submit to USDA all intended purchases of burley tobacco from U.S. auction markets and from producers. USDA determines the annual burley quota by totaling intended purchases by manufacturers, average annual exports for the 3 preceding years and the amount of tobacco needed to attain reserve stock levels.

A 1987 burley tobacco national marketing quota of 463.9 million pounds and a support level of \$1.488 per pound were announced on February 2 by USDA. The three basic factors required by legislation to calculate the quota resulted in a total of 412.9 million pounds (84 percent of the 1986 quota). However, legislation also provides that the 1987 burley tobacco quota cannot be less than 94 percent of the 1986 quota of 493.5 million pounds. Therefore, the 1987 national marketing quota is 463.9 million pounds, 6 percent below the 1986 quota. The 1987 price support is computed from a statutory formula based on changes in 5-year moving averages of market prices and cost-of-production indexes. The 1987 support level is the same as 1986. Burley tobacco is grown primarily in Kentucky and Tennessee, with smaller amounts grown also in Alabama, Arkansas, Illinois, Indiana, Kansas, Missouri, North Carolina, Ohio, South Carolina, Virginia and West Virginia.

1987 Acreage Allotments for Five Kinds of Tobacco--USDA announced national factors and acreage allotments for five kinds of tobacco for the 1987 marketing year. The 1986 allotments are included for comparison.

Kind of tobacco	Factor	Acreage	
		1986	1987
Virginia fire-cured (type 21)	0.90	7,621	6,546
Kentucky-Tennessee fire-cured (types 22-23)	0.60	19,678	11,874
Dark air-cured (types 35-36)	0.65	6,166	4,035
Virginia sun-cured (type 37)	1.00	1,030	920
Cigar filler and binder (types 42-44 and 53-55)	0.95	9,185	8,526

The factor is used to determine the allotment for most farms by adjusting the previous year's allotment. However, allotments will be further adjusted for farms that in recent years have produced less than 75 percent of their allotments.

Burley Tobacco Sold--USDA announced on March 17 the sale of 83.8 million pounds of 1983-crop burley tobacco by the CCC for \$49.5 million. The sale consisted of 62.9 million pounds of strips, 19.9 million pounds of stems and 1 million pounds of scrap. Strips are the portions of the leaves remaining after the leaf stems are removed. The accepted bids ranged from \$.3175 to

\$1.01 per pound, averaging \$.7449 per pound for strip quality tobacco. The strips were sold for \$46,838,180. Stems were apportioned to the buyers based on pounds of strips purchased. The 19,939,499 pounds of stems were sold for 13 cents per pound for a total of \$2,592,135.

Tobacco Growers Vote to Continue Quotas and Support--Growers of cigar-filler and binder tobacco voted to continue acreage quotas and price supports for their 1987-89 crops, according to results of a producer referendum released by USDA on April 7. Preliminary results of the March 23-27 mail referendum show that 1,778 (76 percent) of the 2,341 voting producers approved continuation of quotas and supports. At least two-thirds of those voting had to vote for approval in order for quotas to be in effect for the next 3 years. Cigar-filler and binder tobacco is grown in Minnesota, Ohio, and Wisconsin.

1987 Tobacco Price Supports--USDA announced on April 21 that it is seeking comments on the price support levels for six kinds of tobacco for the 1987 crop year. The tobaccos are fire-cured (type 21), fire cured (types 22-23), dark air-cured (types 35-36), sun-cured (type 37), cigar binder and filler (types 42-44 and 53-55) and Puerto Rican (type 46). Under the statutory formula contained in the Agricultural Act of 1949, the 1987 crop year support levels are set at the 1986 level, adjusted by the difference between the 1987 "basic support level" and the 1986 "basic support level." Based upon formula calculations, 1987 loan levels will be lowered from 1986 loan levels for the respective types as shown below:

Kind of tobacco	1987 average support level	1986 average support level
Dollars per pound		
Fire-cured (type 21)	1.196	1.200
Fire-cured (types 22-23)	1.238	1.242
Dark air-cured (types 35-36)	1.054	1.058
Sun-cured (type 37)	1.056	1.060
Cigar binder & filler (types 42-43-44 and 53-54-55)	0.914	0.916
Puerto Rican (type 46)	0.747	0.750

The support price may be further reduced to the extent requested by a producer association to more accurately reflect the market value and improve the marketability of the crops.

FRUITS AND VEGETABLES

Skinned Lentils Standards--Effective December 5, 1986, USDA set grade limits for U.S. No. 1 and U.S. No. 2 skinned lentils, and lowered the percentage of skinned lentils necessary for sample grade determination. The revisions were made to facilitate marketing.

Proposed Research and Promotion Program for Watermelons--The National Watermelon Association has proposed a national research and promotion

program for watermelons, in accordance with the 1985 Watermelon Research and Promotion Act, USDA announced on December 10, 1986. The program would provide for research and promotion projects designed to improve the position of watermelons in the marketplace. The program would be financed by assessments on watermelons paid both by first handlers and by farmers who grow five or more acres of watermelons annually. The proposal would establish an assessment rate of 2 cents per cwt for handlers and producers. No handler or producer would be required to pay more than one assessment on any watermelon, except in the case of a producer who also performs handling functions. In this instance, the person would pay both the handler and producer assessments. Producers and handlers assessed under the program would be entitled to a refund of assessments upon request. The program would be operated at no cost to the Federal government. A board composed of watermelon producers, handlers, and a representative of the general public would administer the program. Industry-sponsored research and promotion programs similar to the one proposed for watermelons already function for cotton, eggs, dairy, wool, beef, pork, honey, and potatoes. Comments were due January 5.

Hearings were held on the proposed watermelon program on February 18 in Las Vegas, Nevada, and on February 24 in Atlanta, Georgia. USDA will evaluate the hearing records and prepare a recommended decision, which will be made available for public comment. When the comment period closes, the Secretary will recommend a decision. If the Secretary recommends issuance of the plan, a referendum will be held to determine producer and handler support.

Bean Standards--On December 15, 1986, USDA proposed retaining all current Federal grade standards for dry edible beans. The proposal to retain the standards was made in accordance with the regular 5-year review of U.S. grain standards. The present standards adequately serve the needs of the industry; however, FGIS wanted public comments on the proposal before a final rule is made. Comments were to be submitted by February 8.

Unshu Orange Imports--USDA held a public hearing on January 6 to consider a proposal to permit Japanese Unshu oranges to be imported into an expanded area of the United States. Currently, Japanese Unshu oranges may be imported only into Alaska, Hawaii, Idaho, Montana, Oregon and Washington, because climatic and other factors prevent the introduction of a Japanese strain of citrus canker into these areas. Under the proposal, Unshu oranges would be able to enter all areas of the United States except those where citrus is grown commercially, which includes Alabama, American Samoa, Arizona, California, Florida, Georgia, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, the Northern Mariana Islands, Puerto Rico, South Carolina, Texas and the U.S. Virgin Islands. Unshu oranges still would be required to be grown in isolation and disinfected in a chlorine solution, as well as to meet other requirements, before they could be imported into the United States. This proposal was originally published in the Federal Register on August 13, 1984. However, action on the proposal was postponed after citrus canker was discovered in Florida. The comment period was reopened in December 1986 and the public hearing rescheduled, because no evidence has emerged to link the Florida citrus canker outbreak to Unshu oranges. Written comments were due February 9.

Standards for Frozen Leafy Greens--USDA revised its voluntary standards for frozen leafy greens, effective February 2. The revisions will improve the standards and encourage uniformity and consistency in commercial trading practices. The final rule, recommended by the American Frozen Food Institute, changes the allowance for blemishes in leaf style spinach and permits a larger blemish area equal to the allowance in previous frozen spinach standards.

Citrus Estimation Program--On March 3, NASS announced that it will alter its citrus estimating program for California and Arizona, starting in 1988. The agency will discontinue California forecasts for lemons during December, February, March, May and June, and for grapefruit and tangerines for those months plus November. Forecasts for lemons will be issued in October, November, January, April and July; for grapefruit in October, January, April, and July; and for tangerines in October, January and April. There will be no change in the estimating program for California oranges. Arizona forecasts will be dropped for lemons, oranges, grapefruit and tangerines in November, December, February, March, May and June. Forecasts for each of these citrus fruits will be made in October, January, April and July. These changes are in response to recommendations from industry groups, growers and shippers in California and Arizona who believe the remaining reports will serve their data needs and minimize their survey reporting burden. No changes are planned for citrus programs in Texas or Florida.

Standards for Seed Potatoes--USDA revised its voluntary grade standards for seed potatoes, beginning March 6. The changes in the standards will help achieve uniformity in the language used in trading seed potatoes commercially and in their certification. The major revisions include:

- increased tolerances for damage by soil, vascular ring discoloration and sprouts;
- guidelines for scoring damage by soil and handling loose soil in containers;
- an expanded list of factors which do not affect seed quality and would not be considered grade defects; and
- addition of specific new defects and methods of scoring to the classification of defects table.

Standards for Canned Pineapple Juice--Effective April 1, USDA revised its standards for voluntary grading of canned pineapple juice, which will improve the standards and encourage uniformity and consistency in commercial trading practices. The standards, recommended by the Pineapple Growers' Association of Hawaii:

- align U.S. grade standards with Food and Drug Administration (FDA) standards;
- eliminate reference to the word "canned" or "canning" and substitute the "processing" where appropriate;
- provide grade standards for pineapple juice from concentrate;
- establish minimum soluble solids content for pineapple juice from concentrate;
- clarify the standards for pineapple juice and pineapple juice from concentrate; and
- redesignate the grade name U.S. Grade C to U.S. Grade B.

Sharwil Avocados--Beginning April 19, USDA will allow Sharwil avocados to move from Hawaii to Alaska without special treatments to destroy fruit flies and pests, as long as the avocados are harvested and handled under specified conditions. Distribution of the untreated avocados in the United States will be limited to Alaska. Although Mediterranean fruit flies, Oriental fruit flies, and melon flies are present in Hawaii, these destructive pests cannot become established in Alaska because of climatic conditions and because host fruits are not grown in Alaska.

Cherries Purchased--USDA, on April 22, announced it purchased 21.2 million pounds of frozen red tart pitted cherries for use in the school-lunch and other domestic feeding programs. U.S. Grade B or better cherries were acquired from the Cherry Administrative Board's reserve pool at 32 cents per pound. This purchase will assist tart cherry growers by reducing the large reserve of cherries on hand, and will assure USDA can make cherries available to schools and other feeding-program recipients throughout next year. The purchase of frozen tart cherries was made before the marketing order was terminated on April 30. The total purchase, including transportation costs, will amount to about \$7.8 million. Deliveries are scheduled from July 1 through May 31, 1988.

SUGAR AND SWEETENERS

1987 Sugar Import Quota--Secretary Lyng announced on December 15, 1986, that total authorized quota shipments of imported sugar for 1987 would be just over 1 million short tons, raw value--down 41 percent from the 1986 quota of just over 1.7 million tons and the lowest level in nearly 100 years. For the January 1 to December 31, 1987 period, 25,160 short tons was established as the quota adjustment amount, 2,000 short tons was established as the specialty sugar import quota, and 910,000 short tons was established as the total base quota amount. The total import quota is the sum of these three numbers, or 937,160 short tons, raw value. In addition, the minimum quota allocation is reduced from 12,500 short tons to 7,500 short tons. Once minimum quota amounts are added to the total import quota and other adjustments in authorized shipments are made, total authorized quota imports for the 1987 quota period come to just over 1 million short tons. The sharp reduction in import requirements is the result of a continued increase in domestic sweetener production, including corn sweeteners, coupled with a decline in domestic consumption of cane and beet sugar. According to Secretary Lyng, these trends are the result of high levels of price support for sugar beets and sugarcane that were mandated by the Food Security Act of 1985.

Clayton Yeutter, the U.S. Trade Representative, established country-by-country quota allocations for the total base quota amount. These allocations are as follows:

Country	Short tons (raw value)	Country	Short tons (raw value)
Argentina	39,130	Australia	75,530
Barbados	7,500	Belize	10,010
Bolivia	7,500	Brazil	131,950

Country	Short tons (raw value)	Country	Short tons (raw value)
Canada	10,010	Colombia	21,840
Congo	7,500	Costa Rica	17,583
Dominican Rep.	160,160	Ecuador	10,010
El Salvador	26,019.8	Fiji	25,190
Gabon	7,500	Guatemala	43,680
Guyana	10,920	Haiti	7,500
Honduras	15,917.2	India	7,500
Cote D'Ivoire	7,500	Jamaica	10,010
Madagascar	7,500	Malawi	9,100
Mauritius	10,920	Mexico	7,500
Mozambique	11,830	Panama	26,390
Papua New Guinea	7,500	Paraguay	7,500
Peru	37,310	Philippines	143,780
St. Christopher	7,500	Swaziland	14,560
Taiwan	10,920	Thailand	12,740
Trinidad-Tobago	7,500	Uruguay	7,500
Zimbabwe	10,920		

To help mitigate the effects of these reduced sugar imports on certain supplying countries, Secretary Lyng announced that the Administration will continue to offer available CCC stocks under the commodity donation program (known as Section 416) to certain sugar-exporting countries. For the upcoming quota period, the following countries will be offered available commodities up to the indicated amounts under this program:

Country	Million dollars	Country	Million dollars
Dominican Republic	46.3	Philippines	32.8
Guatemala	12.6	Peru	10.8
El Salvador	7.9	Panama	7.6
Mauritius	6.8	Colombia	6.3
Costa Rica	5.6	Honduras	5.6
Swaziland	4.2	Thailand	3.7
Mozambique	3.4	Guyana	3.2
Zimbabwe	3.2	Belize	2.9
Ecuador	2.9	Jamaica	2.9
Malawi	2.6	Bolivia	2.0
India	2.0	Barbados	1.6
Congo	1.6	Haiti	1.6
Cote D'Ivoire	1.6	Madagascar	1.6
Papua New Guinea	1.6	St. Christopher	1.6
Trinidad-Tobago	1.6	Fiji	1.6

Honey Loan Repayment--USDA is continuing its weekly announcements of honey loan repayment rates. Producers may repay their 1986 and 1987 honey price support loans at the rates in effect for that crop for that week. Since November, the repayment rates for the 1986 crop have decreased slightly. Repayment rates for the 1987 crop, first announced on April 9, are higher

than the concurrent levels in effect for the 1986 crop. The various rates and the dates they were first announced are shown below:

Effective date	1986-crop		1987-crop
	10/23/86	3/12/87	4/9/87
Cents per pound			
Color and class			
White	44.0	40.0	53.0
Extra-light amber	39.0	37.0	41.0
Light amber	35.0	35.0	39.0
Amber	32.0	33.0	37.0

1986 Honey Loans Extended--On March 4, USDA extended the deadline to March 31 for producers to apply for CCC loans on 1986-crop honey; the application period had expired January 31. The cut-off date will remain March 31 for future crops of honey. The 2-month extension will benefit producers, cooperatives, and the Federal government, because it will give producers more time to obtain benefits under the loan repayment program, commonly known as the honey buy-back.

1987 Honey Price Support Program--The 1987 honey price support program will be based solely on price-support loans and purchase agreements will not be offered, Secretary Lyng announced on April 7. Honey producers will receive an average price-support loan rate of 63.0 cents per pound on their 1987 production, as required by the Food Security Act of 1985. The new rate is 1 cent per pound below the 1986 level. Extracted honey loan rates will range from 66.1 cents to 51.4 cents per pound, depending on color and class. The rates are as follows:

Color and class	Cents per pound
White or lighter	66.1
Extra light amber	62.1
Light amber	57.3
Other table and nontable honey	51.4

Loans will be offered on 1987-crop honey on or off farms. Producers have until March 31, 1988, to request nine-month loans.

LIVESTOCK

1987 Wool and Mohair Support Prices--Support prices for 1987 marketings will be \$1.81 per pound for shorn wool and \$4.95 per pound for mohair, USDA announced on March 6. Pulled wool will continue to be supported at a level comparable to the support price for shorn wool. Shorn wool payments will be based on a percentage of each producer's return from shorn wool sales. The percentage will be that required to raise the national average price received by all producers of shorn wool in 1987 up to the \$1.81 support price. In 1987 shorn wool prices are expected to average around \$0.70 per pound. Mohair is supported at 85 percent of the percent of parity at which

shorn wool is supported, which is the statutory minimum. Payments for mohair will be calculated in a manner similar to shorn wool. Mohair prices during 1987 are expected to average around \$3.00 per pound.

Animal Welfare Regulations--On April 1, USDA proposed amendments to its regulations under the Animal Welfare Act, including one that would require research facilities to create special committees to assure humane care and treatment of laboratory animals regulated under the Act. Other proposed changes to the regulations involve registration and recordkeeping, identification of animals, methods of obtaining animals, licensing procedures, and an increase in license and application fees. The increase would be the first in more than a decade. The proposed changes are designed to implement amendment to the Animal Welfare Act passed by Congress in December, 1985. Those amendments provide for new and stricter requirements to protect laboratory animals from undue pain and distress, for tightened enforcement of regulations already on the books for all animals, and revise and expand the list of definitions necessary to enforce the law. Written comments are due June 1. Federal animal welfare legislation was first passed in 1966 covering animal dealers who raised dogs and cats for research and laboratories conducting research on these mammals. In 1970, coverage was broadened to include most other warm blooded animals used in research, exhibited, or sold in the wholesale pet trade. A 1976 amendment extended coverage to include the transportation of live animals.

1986 Wool and Mohair Payments--Sheep producers will receive about \$109 million in Federal incentive payments on wool and lambs sold in 1986, USDA announced on April 3. Mohair payments total \$38 million for the same period. The 1986 support price for shorn wool was \$1.78 per pound and the national average market price during 1986 was \$.668 per pound. A 1986 payment rate of 166.5 percent for wool results from dividing the support price by the national average price. The payment rate is the amount required to bring the average price received by producers up to the support price. The 1985 payment rate was 160.7 percent. For mohair, the 1986 average market price was \$2.51 and the support level \$4.93, making the payment rate 96.4 percent. The 1985 rate was 28.4 percent.

Egg Research and Promotion Program--Secretary Lyng announced on April 6 that USDA will conduct a national referendum among egg producers on an advertising, research, and consumer education program for eggs and spent fowl. Voting will be conducted between May 25 and June 19. The decision to hold a referendum is based on public hearings held across the United States between January and March, 1986, and on comments received on a published proposal to establish the egg research and promotion order.

Bovine Tuberculosis--USDA recognized Illinois on November 21, 1986, as the 32nd State to be designated free of bovine tuberculosis. In order to be declared free of bovine tuberculosis, a State must comply with the uniform methods and rules for bovine TB eradication and remain free of the disease for 5 or more years.

Cattle Brucellosis--The brucellosis ratings for certain counties in Florida and Texas were upgraded from Class C to Class B on December 1, 1986. Arkansas also advanced from a Class C to Class B State on January 15. Missouri, on February 17, and Alabama, on March 25, were upgraded from

Class B to Class A ratings for their efforts to eradicate cattle brucellosis. On April 1, Texas advanced from a combination Class B and C rating to a Class B rating. The system for classifying States or portions of States is based on the rate of brucella infection in cattle and the general effectiveness of a brucellosis control and eradication program. The classifications are Class Free, Class A, Class B and Class C. Restrictions on the interstate movement of cattle become less stringent as the system progresses from Class C to Class Free. States or areas that do not meet the minimum standards for Class C are placed under Federal quarantine. Brucellosis, sometimes called Bang's disease, is an infectious bacterial disease which causes reduced fertility and lower milk yields in cattle. The disease can be transmitted to humans.

Swine Brucellosis--USDA proposed on January 12 to change required methods for identifying breeding swine, sows and boars, in the surveillance program for swine brucellosis. One proposed change is that USDA-approved backtags or eartags replace tattooing as the primary means of identifying sows or boars moving across State lines for slaughter. Tags or tattoos are used to trace reactor animals to herds of origin when blood samples taken at slaughter test positive for brucellosis. Traced herds are then tested to find and eliminate infection. Another proposed change would eliminate a requirement that breeding swine in interstate commerce be accompanied by an owner's statement or other document about the shipment; they have proved to be of little or no value in tracing herds of origin. Written comments were due March 16.

Garbage Treatment Facilities--Effective March 20, USDA amended its swine health protection regulations to require the cancellation of licenses of inactive facilities for treating garbage fed to swine. Under the amended regulations, licenses held by operators of garbage treatment facilities that treat no garbage for 4 consecutive months will be cancelled. Garbage fed to swine must be treated at specified temperatures to prevent transmission of diseases.

Pullorum and Typhoid--On April 21, Oklahoma was recognized as a "U.S. Pullorum-Typhoid Clean State" by the National Poultry Improvement Plan, a cooperative program involving USDA, States, and industry. The "clean" status certifies that Oklahoma's commercial flocks have been free of pullorum and typhoid for 12 months.

Veterinary Biologics Regulations--USDA proposed on November 24, 1986, establishing rules for State approval of experimental veterinary biologics. The new rules would allow State approval of experimental veterinary biologics shipped within the State where they are produced or out of the country. The proposal establishes the criteria for accepting a State licensing program for veterinary biological products and manufacturers. A State would be required to identify each manufacturer and each product to be licensed by the State, and to provide a system of review and oversight. Recent amendments to the Virus-Serum-Toxin Act require Federal and State approval before veterinary biologics researchers and license applicants can ship experimental veterinary biologics intrastate or out of the country. Prior to these amendments, experimental veterinary biologics in many cases could be shipped intrastate or exported without being licensed or approved by either a State or USDA. The proposal also would exempt from Federal

licensing anyone who prepares a biological product for his or her own animals, and would exempt veterinary practitioners from licensing provisions if they use biological products in a valid veterinarian-client-patient relationship. Comments were due January 5.

Pork Irradiation--On December 4, 1986, USDA reconfirmed it January 5, 1986, rule allowing irradiation of pork for trichina control. Public comments on the rule raised no compelling arguments or information that raised questions about the action. Low-dose irradiation of fresh or previously frozen pork is an effective way of controlling trichinae larvae, the parasites that cause trichinosis.

Livestock Thyroid Glands--USDA proposed on December 12, 1986, prohibiting the use of livestock thyroid glands, as well as the muscle tissue surrounding the larynx, in the preparation of edible meat products. USDA's proposal follows earlier action taken after a 1985 outbreak of thyrotoxicosis in humans--a disease resulting from excess thyroid hormones in the body--in Minnesota, South Dakota, and Iowa. Epidemiological investigations strongly indicated a connection between the cases of thyrotoxicosis and the consumption of certain ground beef products made from trimmings that contained cattle thyroid glands--not normally used in meat products. After the outbreak, USDA immediately ordered all official meat processing establishments to stop using thyroid glands, the larynx, and the muscle tissue surrounding the larynx in the preparation of edible food products. The symptoms of thyrotoxicosis include sleeplessness, nervousness, increased heart rate, shortness of breath, fatigue, excessive sweating, and weight loss. Under the proposal, the thyroid gland and muscle tissue surrounding the larynx could still be used in pet food and for pharmaceutical purposes. Comments were due February 13.

Meat and Poultry Samples--On December 15, 1986, USDA proposed requiring meat and poultry samples collected by USDA inspectors for testing be sealed with an official mark to prevent tampering. With such a seal, USDA officials could more easily detect tampering after a sample has been collected for in-plant or laboratory testing. The proposal calls for an official mark consisting of the words "Sample Seal" and the USDA logo. A broken or damaged seal would alert inspectors and laboratory analysts in the event that someone tampered with a sample.

Canning Requirements for Meat and Poultry Products--On December 18, 1986, USDA announced it is updating its regulations for processing canned meat and poultry products to strengthen safety controls over these products and to keep pace with advances in canning technology. The new regulations focus on preventing errors at critical points in processing canned meat and poultry products, where a faulty container or an error in processing could result in spoilage or in some other way could affect product safety. Under the new regulations, processors will also be required to employ properly trained personnel to operate cooking equipment, to use technically sound schedules of processing times and temperatures, equipment that automatically records times and temperatures, and to keep accurate records of these processing parameters. Most of the new requirements will become effective June 19. However, certain provisions of the updated regulations, which allow recycling of container cooling water, will not become effective until December 21. Requirements concerning training of persons who operate or

supervise the operation of cooking equipment will not become effective until December 19, 1988.

Interstate Shipping Certificates--USDA proposed on December 22, 1986, allowing veterinarians issuing official interstate shipping certificates to attach additional documentation to the certificate, under certain conditions, rather than continuing to require them to transcribe the information onto the certificate. Attaching the additional information would reduce the paperwork burden on veterinarians who prepare shipping certificates, and would speed up the interstate movement of cattle and bison. A shipping certificate is the official document that identifies animals moving in interstate commerce. It accompanies the animals from the point of origin to the final destination. Additional documentation identifies and describes each animal and provides vaccination data, results of health tests and ownership and brand information. Under the proposal, only official State or Federal forms imprinted with a serial number could be attached to the certificate. Written comments were due February 20.

Plane Sanitation Requirements--Because most animals destined for export now travel by air, USDA proposed on December 22, 1986, amending the Federal sanitation requirements for ships used to carry animals for export so that they also apply to aircraft. According to USDA, the regulations are necessary because ships and aircraft can become contaminated with disease organisms or with flies, ticks, lice, and mites that carry diseases. Disease outbreaks among animals being carried for export could result in serious damage to international markets for U.S. animals. The proposal would require the interior of aircrafts, loading ramps, fittings, and other equipment used in loading animals for export to be cleaned and disinfected. Comments were due February 23.

Requirements for Accrediting Veterinarians--Also on December 22, 1986, USDA strengthened its requirements for accrediting private veterinarians who perform services for the Federal government. Regulations now require that to become accredited, applicants must hold a license to practice veterinary medicine without supervision in the State where they seek accreditation and that they receive the recommendation of State and Federal authorities. Previously, a temporary State license requiring supervision by a regularly licensed veterinarian was sufficient. The new regulations also require the applicant to pass an examination administered by the USDA within 5 years of seeking accreditation in any State. The work of Federally accredited veterinarians includes certifying the health of animals to be moved interstate or internationally, assisting in disease control and eradication programs, and examining animals to fulfill requirements of the Animal Welfare Act and the Horse Protection Act.

Ethics Code for Accredited Veterinarians--On December 23, 1986, USDA proposed prohibiting USDA-accredited veterinarians from performing official duties associated with livestock in which the veterinarian or a member of his or her immediate family has a financial interest. This proposal would help ensure that accredited veterinarians avoid conflicts of interest and the appearance of conflicts of interest in conducting their official duties. Although the current "Standards for Accredited Veterinarians" does not prohibit it, most accredited veterinarians voluntarily refrain from performing official duties associated with livestock in which they or their

immediate family members have a financial interest. "Official duties" are duties specifically assigned to accredited veterinarians in the Code of Federal Regulations and by cooperative State-Federal disease control and eradication programs. Official duties do not include general veterinary services that may be provided by any licensed veterinarian. Written comments on the proposal were due March 25.

Advance Notice of Arrival by Ships and Planes--USDA proposed on December 24, 1986, requiring operators of aircraft and ships carrying plant and animal materials from overseas give USDA official notice at least 24 hours before arriving at U.S. ports. This proposal, if adopted, would help ensure that Animal and Plant Health Inspection Service (APHIS) inspectors are on-site and prepared to perform required inspections immediately upon arrival. All operators of aircraft and ships--except those with pre-cleared cargo, those not regularly engaged in the business of carrying passengers or cargo for a fee, and craft with continuing landing rights granted by the U.S. Customs Service--would be required to give notice. Comments were due February 27.

New Trichina Regulations--USDA announced on January 2 that it will allow producers of dry-cured and country hams to continue using traditional, but not specifically approved, methods of trichina destruction until December 31, 1987. USDA originally set August 6, 1985, as the deadline for processors of dry-cured and country hams to meet new requirements for trichina destruction or to submit their alternative, traditional process for evaluation and temporary approval until Federal research could be completed. The temporary approvals were scheduled to expire December 31, 1986.

Overtime Rates Charged to Meat and Poultry Plants--USDA increased overtime inspection rates charged for Federal inspection of meat and poultry plants from \$21.72 to \$22.84 per hour, effective January 4. Hourly rates for voluntary inspection and certification services increased from \$18.60 to \$19.04, and charges for laboratory work increased from \$35.92 to \$41.36. The rate increase was necessary to cover the added costs of providing overtime inspection, identification, certification and laboratory services in fiscal year (FY) 1987. Under Federal meat and poultry inspection laws, USDA must assume all inspection costs during routine working hours in plants producing meat and poultry products for interstate and foreign commerce. However, USDA is authorized to charge plants for all mandatory inspection services exceeding 8 hours per day or 40 hours per week, and for laboratory work and all voluntary inspection and certification services.

State Meat and Poultry Inspection--Effective January 15, USDA will halt quarterly reviews of state-inspected meat and poultry plants and begin a new, comprehensive oversight program for State meat and poultry inspection systems. State meat and poultry inspection programs have reached a level of effectiveness that enables USDA to use this more efficient system-review approach. Federal laws for meat and poultry inspection allow meat and poultry products from USDA-inspected plants to be sold in interstate or foreign commerce. Products from state-inspected plants may be sold only within the borders of the State in which they are produced. States must impose inspection requirements at least equal to those imposed by USDA on plants producing products for interstate commerce.

Drug Residues in Young Calves--USDA revised its residue testing procedures for young veal calves on January 20 to focus greater attention on animals and slaughter plants where problems are most likely to occur. The revised system increased testing in plants with high violation rates and decreased testing at plants consistently handling young calves free of sulfa and antibiotic residues. The residue testing procedures are part of a program begun in 1984 under which owners of calves may certify in writing that their calves were not treated with drugs or, if they were treated, that the prescribed withdrawal period has passed before the calves are slaughtered. Uncertified calves are tested more carefully than certified calves. The program was established to combat a drug residue problem that occurred in bob calves--calves up to three weeks or 150 pounds -- and not in "fancy" veal, which is the source of veal chops and roasts.

Private and State Laboratories--USDA set new accreditation standards, effective February 19, for private and State laboratories that perform official tests on meat and poultry as part of the Federal inspection process. These laboratories test meat and poultry samples for chemical residues and moisture, protein, fat and salt content. Accreditation ensures that laboratory performance consistently meets the same standards USDA sets for its own laboratories. The rule spells out standards by which private and State laboratories may obtain and maintain Federal accreditation for performing tests, including explanations of the statistical methods the Federal Safety and Inspection Service (FSIS) will use to assess each laboratory's performance. Also, it requires that each laboratory use USDA-approved methods, maintain records, and allow USDA officials to examine records and facilities. The rule also describes procedures for denying, suspending, withdrawing and reinstating accreditation, and contains provisions for hearings when accreditation is withdrawn. Reasons for suspension and revocation include: failure to perform tests accurately, conviction of a crime such as falsification of data or bribery, or conviction of other fraudulent transactions involving food.

USDA issued rules on March 23 under which a private or State laboratory may challenge a USDA denial, withdrawal or suspension of accreditation. Under the new rules, nonfederal laboratories for which USDA accreditation has been denied, suspended, or withdrawn can challenge the action within 30 days by submitting a written request for a hearing. The rules stipulate the procedures for hearings and for appeals of hearing results.

Beef Grades--On March 3, USDA proposed renaming the "USDA Good" grade of beef to "USDA Select." The change is being proposed in response to a petition from Public Voice for Food and Health Policy. The proposed name "select" would present a more positive image of this grade of beef, and help calorie-conscious consumers to select leaner cuts of meat. The "good" grade of meat has less marbling and fat than the "prime" or "choice" grades. Standards for all of the grades would remain unchanged. Comments must be submitted by May 4.

Listeria Monocytogenes in Meat and Poultry--USDA announced on March 11 that it is expanding testing of meat and poultry products to include testing for the bacterium *Listeria monocytogenes*. Although no meat or poultry products have been involved in any reported disease in humans from this bacterium, there is the potential they could be involved in future outbreaks.

Therefore, to eliminate any potential hazard to consumers, USDA will begin phasing-in a monitoring program for *L. monocytogenes*. In recent years, the bacteria has been implicated in illnesses and deaths caused by consuming contaminated products such as shredded cabbage, mild and soft Mexican-style cheese. The testing program will put special emphasis on ready-to-eat products such as dry-cured pork products, fermented sausages, and cooked luncheon meats. Both domestically prepared products and imports will be tested.

Electrical Equipment in Slaughterhouses--On April 15, USDA proposed sanitation and safety requirements for the use of electrical equipment in meat plants to speed rigor mortis in slaughtered animals. Electrical stimulation of carcasses is used by meat plants to accelerate the onset of rigor mortis--a stiffening of muscles--before meat is chilled or frozen. If chilled or frozen before rigor mortis has set in, meat can become tough, lowering the quality of the product. Electrical stimulation may be applied to a carcass either before or after the removal of the hide and internal organs. If the process is used after the hide is removed but before removal of the internal organs, precautions are necessary to avoid contaminating the meat with waste from the intestinal tract. The proposed rule would allow plants using electrical stimulation before internal organs are removed to use alternative slaughter procedures to prevent contamination from the intestines. The procedures would be subject to approval by USDA. The use of electrical stimulation on partially skinned carcasses would not be permitted under the proposal because it has proven to be unsanitary. Comments are due by June 12.

Retail Sales Exemption for Meat and Poultry Products--On April 27, USDA announced increased limits on the dollar value of meat and poultry that retailers can sell to hotels, restaurants, and similar institutions without undergoing Federal inspection. The annual ceiling for institutional sales was raised from \$28,800 to \$35,500 for meat products and from \$28,200 to \$31,000 for poultry products. Retail meat and poultry sellers are exempt from Federal inspection if their total dollar sales to consumers other than households do not exceed the limit set annually by USDA and if meat and poultry sales to institutions do not exceed 25 percent of total annual sales. Each year, the dollar limits on sales to institutions by retail stores is automatically adjusted if the Consumer Price Index for meat and poultry increases or decreases by more than \$500.

Notification Process for Violations of Meat Inspection Act--Also on April 27, USDA issued an interim rule specifying requirements for notifying suspected violators of the Federal Meat Inspection Act that evidence is being transferred to the Department of Justice for possible criminal prosecution. The Processed Products Inspection Improvements Act of 1986 requires that suspected violators be given notice and an opportunity to present their views before the evidence is referred to the Justice Department. However, the Act also provides USDA with the authority to establish exemptions to the prior notice requirement on cases of compelling public interest.

Barbecue Standards--On April 30, USDA announced that it is withdrawing a 1982 notice seeking public comments on the need to modify its regulations for barbecued meat and poultry produced under Federal inspection. USDA

received 314 comments in response to the notice. However, there was no consensus on a more acceptable method of commercial barbecuing than that required in the current regulations. USDA has determined that there is not sufficient justification to propose a change to the current barbecue standard; therefore, the Department is withdrawing the notice.

Imported Poultry Products--USDA proposed on April 30 that any foreign country exporting poultry to the United States set up a residue sampling and testing program at the point of slaughter. The proposal would also amend current regulations to ensure that the inspection, sanitation, quality, species verification and residue standards for domestically produced poultry also apply to imported products. This regulation would put into practice provisions of the Food Security Act of 1985, which amended the Poultry Products Inspection Act to require residue testing and species verification of imported poultry. Since the countries now exporting poultry to the United States (Canada, France, Hong Kong, and Israel) are already meeting these requirements, there will be no economic impact on them or on domestic producers or importers. Written comments should be submitted by June 30.

Egg, Poultry, and Rabbit Grading--USDA increased charges for certain grading and inspection services for eggs, poultry, and rabbits, effective May 1. Hourly charges rose from \$15.44 to \$16.16 for a resident grader (a grader assigned to one plant); from \$21.88 to \$23.20 for a nonresident grader (one performing work at several locations); from \$23.68 to \$24.92 for nonresident grading work on weekends and holidays; and from \$25.48 to \$29.32 for laboratory work. The administrative charge for the cost of USDA supervision of grading and for other overhead expenses increased from \$0.025 to \$0.026 per case of shell eggs and from \$0.00025 to \$0.00026 per pound of poultry in plants using the resident grading program. Also, the administrative charge for poultry and eggs per billing period rose from \$125 to \$130 and the maximum charge rose from \$1,250 to \$1,300. The minimum administrative charge for grading rabbits increased from \$120 to \$130 per billing period. Charges per hour for mandatory USDA services rose from \$17.32 to \$20.52 for overtime inspection of egg products, and from \$19.92 to \$20.28 for processing appeals from inspectors' decisions. The Agricultural Marketing Act of 1946 requires user fees to be reasonable and, as nearly as possible, equal the cost of the services. Under the Egg Products Inspection Act, the cost of overtime and appeal services must be borne by the user, but appropriated funds pay the basic costs.

Sulfite Labeling on Meat and Poultry Products--Beginning July 9, USDA will require meat and poultry processors to list sulfiting agents on product labels when the products contain confirmable levels of these substances. Sulfiting agents, or sulfites, include sulfur dioxide, sodium sulfite sodium bisulfite, potassium bisulfite, sodium metabisulfite, and potassium metabisulfite. The substances are used to preserve foods such as potatoes and other ingredients that may be added to processed meat and poultry products. In developing its labeling policy, USDA adopted FDA's policy, which requires sulfite labeling when products contain 10 parts-per-million or more of the preservative. The FDA approves ingredients for foods other than meat and poultry. Sulfites are prohibited in fresh meat and poultry products because they mask spoilage. However, sulfites can be present in stews and other processed meat or poultry products that contain ingredients treated with the substances.

DAIRY

Milk Price Support--The support price for milk was reduced on January 1 from \$11.60 to \$11.35 per cwt. The producer assessments dropped from 40 to 25 cents per cwt. Both levels remain in effect until September 30, when the support price will be further reduced to \$11.10 per hundredweight. The support price of \$11.35 is for milk with a milkfat content of 3.67 percent--the national average--and compares with \$11.07 per cwt for milk with a milkfat content of 3.5 percent. The producer assessments partially fund the Dairy Termination Program (DTP). These assessments are reductions in the price received by producers for milk produced in the 48 contiguous States and marketed for commercial use. The price support program for milk is carried out through CCC purchases of butter, cheese, and nonfat dry milk. As a result of the reduction in the support price for milk, purchase prices of both butter and nonfat dry milk were reduced 2 cents per pound and purchase prices of cheese decreased 2-1/2 cents per pound. The new purchase prices are, per pound, \$1.3775 for butter, \$0.7875 for nonfat dry milk, \$1.225 for block cheddar cheese, and \$1.1825 for barrel cheese.

Milk Marketing Orders--On April 28, USDA terminated proceedings on proposals to amend seven southeastern Federal milk marketing orders. The affected milk marketing orders were Georgia, Tennessee Valley, Louisville-Lexington-Evansville, Alabama-West Florida, New Orleans-Mississippi Greater Louisiana, and Nashville, Tennessee. The proposals would have paid milk handlers from proceeds due producers for marketing services considered to be of marketwide benefit. Evidence from an extended public hearing indicated the extensive amount of inter-market milk movements in the area would result in producers in the seven markets bearing the burden of balancing milk supplies for handlers not associated with the local markets. According to USDA, this would impose an inequitable financial burden on the producers and, therefore, the proposals were denied and the proceeding terminated.

Dairy Termination Program--The following table summarizes cattle slaughtered, meat purchased, and cattle exported under the DTP, popularly called the whole-herd buyout. Live cattle exports are in addition to meat purchase requirements.

Period Ending	Cattle Slaughtered (Number) <u>1/</u>	Meat Purchased (Pounds)	Cattle Reported For Export (Number)
<hr/>			
1986			
Apr 26	259,700 <u>2/</u>	21,808,896	--
May 31	163,100	69,188,480	6,622
June 28	98,000	67,951,412	7,316
July 26	96,300	60,581,808	6,470
Aug 30	120,100	56,778,000	10,672
Sept 27	52,500	20,680,000	4,031
Oct 25	43,200	788,500	4,032
Nov 29	45,700	21,564,346	5,371
Dec 26	43,000	27,399,960	3,474

Period Ending	Cattle Slaughtered (Number) <u>1/</u>	Meat Purchased (Pounds)	Cattle Reported For Export (Number)
1987			
Jan 30	49,600	29,239,980	3,355
Feb 6	9,300	--	732
13	8,000	--	1,001
20	9,500	159,984	217
27	13,000	--	275
Mar 6	12,600	--	606
13	8,700	--	416
20	7,700	359,964	45
27	6,900	--	420
Apr 3	7,500	--	391
10	5,700	359,843	204
17		--	181
24		--	314
Total	1,060,100	377,257,173	56,145

1/ Includes all cows, heifers and calves under the DTP.

2/ Estimated for April 1-26, 1986.

NATURAL RESOURCES

Conservation Reserve--On January 20, Secretary Lyng announced the fourth signup period, February 9-27, for USDA's 10-year Conservation Reserve Program (CRP). A one-time, one-year "bonus" for the 1987 crop, was offered as part of the annual rental payment. The bonus payment equals to \$2.00 times the farm program payment yield for corn, times the number of acres of corn base designated for enrollment in the CRP. This "bonus" is payable in generic commodity certificates when a 1987 CRP contract is accepted. In subsequent years, the annual rental payment will be only that amount specified in the CRP contract. This offer is not retroactive for corn base acreage under CRP contracts already signed. Under provisions of a recent amendment to the legislation authorizing the CRP, alfalfa and other multiyear grasses and legumes in rotation during the years 1981-85, as approved by the Secretary, will be considered to be "agricultural commodities" for the purpose of determining eligibility of land to be placed in the CRP.

Only land considered "highly erodible" by USDA will be eligible for entry into the CRP during the fourth signup period, a USDA official announced on February 6. Cropland offered for 1987 contracts during the signup can meet either the new criteria or the criteria used in previous signups to be eligible. Land offered for 1988 contracts must meet the new criteria. The new criteria makes 83 million acres eligible nationwide compared to 69

million acres eligible under the previous criteria. USDA will use two standards in determining whether the land is highly erodible. First, the land must have an erodibility index equal to or greater than 8 for either wind or water erosion. This index is mathematically calculated and includes factors for soil type, slope of the land, rainfall, and wind exposure. Second, consideration is given to cover and management practices on the land for crop years 1981-85 to calculate an erosion rate, which is compared to USDA's Soil Conservation Service (SCS) technical guide standards. Land having both the high erodibility index and an erosion rate exceeding SCS guidelines will be considered highly erodible for CRP purposes.

On March 13, Secretary Lyng announced that USDA has accepted 10,572,402 more acres of highly erodible cropland into the CRP. In the signup held February 9-27, farmers on 101,020 farms submitted bids on a total of 11,254,837 acres. The accepted bids for annual rental payments ranged up to \$90 per acre with an average of \$51.17 per acre. Producers designated 1,894,764 acres of corn base acreage to take advantage of the "bonus" rental payment that was offered to entice highly erodible land in the Corn Belt into the Conservation Reserve. Farm land signed up to date totals 19,488,587 acres. During the first three signups, USDA accepted bids to enter 8,916,185 acres on 69,099 farms into the program. Bids on the previous signups ranged up to \$90 per acre with an average of \$45.52 per acre. Lyng said the next signup period will be July 20-31.

Foreign-Owned Land--Foreign interests held 12.4 million acres, or slightly less than 1 percent, of privately owned U.S. agricultural land as of December 31, 1986, according to a USDA report released on March 30. This was up 369,000 from the end of 1985. These and other findings are based on an analysis of reports submitted to USDA under the Agricultural Foreign Investment Disclosure Act of 1978. Forest land accounts for 52 percent of all foreign-owned acreage; cropland, 17 percent; pasture and other agricultural land 26 percent; and nonagricultural and unreported uses, 5 percent. The largest foreign-owned acreage, mostly timberland, was reported in Maine. Foreign holdings account for 10 percent of Maine's privately owned agricultural land. Except for Maine, foreign holdings are concentrated in the South and West, with 36 and 33 percent, respectively.

PEST CONTROL

Oriental Fruit Fly Quarantine Lifted--On December 10, 1986, USDA removed the quarantine restrictions imposed in September 1986 on Riverside and San Bernardino counties, California, to prevent the spread of Oriental fruit flies. Flies were detected in the two counties on September 22, 1986, and Federal restrictions on the movement of host materials from the area were imposed the same week. Since then, trapping surveys conducted by Federal, State, and County officials indicate the Oriental fruit fly has been completely eradicated from the area. Lifting of the quarantine allows the resumption of interstate movement of regulated articles, including certain fruits and vegetables, from the two counties.

Pink Bollworm Quarantine--USDA proposed on January 2 removing some articles from the list of those now prohibited from moving interstate because they could carry pink bollworm. Under the proposed rule, articles would be

removed from the regulations because studies and field tests have shown that under modern processing conditions in the United States they are no longer carriers of pink bollworm. These articles are cottonseed hulls; cotton lint, linters and lint cleaner waste from upland cotton varieties; cotton waste produced at cotton textile mills; and used bagging and other used wrappers. Pink bollworm, a pest of cotton, is found in parts of Arkansas and Louisiana, in most cotton-growing areas west of these States and in northern Mexico. Comments were due March 6.

Pest-Free Areas in Exporting Countries--On January 14, USDA proposed changing its fruit and vegetable import regulations to specify requirements for verifying the pest-free status of some areas in exporting countries. Currently, fruits and vegetables may be imported into the United States if they come from areas within infested countries that are pest-free. The proposal would establish criteria whereby these areas could be designated pest-free. Under the proposal, an area could be considered pest-free only if there existed no valid reports in scientific literature that pests of concern are present in the area. Pests of concern are injurious insects that do not occur or are not widespread in the United States. In addition, the country would be required to conduct adequate surveys for pests, and to establish quarantine safeguards to prevent the spread of infestations from other areas. Comments were due February 9.

Boll Weevil Eradication Program--USDA announced on January 14 that growers and USDA specialists have wiped out the boll weevil on about 220,000 acres of cotton in North and South Carolina. Growers in Georgia and Alabama have agreed in referendums to drive the pest from 275,000 acres in their States. Several actions will be taken in 1987, including spraying malathion in the fields to kill weevils. Then special traps containing weevil sex attractants will catch strays and be used to monitor the pests' movements. APHIS will coordinate the efforts in Georgia and Alabama as it did in the Carolinas, in cooperation with growers and State and local agricultural offices. Growers pay 70 percent of the eradication program's cost and the Federal government, 30 percent. Costs of the new project over 3 growing seasons will total about \$61 million for Georgia and the southeastern corner of Alabama.

Mediterranean Fruit Fly Quarantine--USDA issued emergency quarantine regulations on March 27 to prevent the spread of the Mediterranean fruit fly from Florida to other noninfested States. An 81-square mile area around Hialeach, Florida, was quarantined and Federal and State officials began an intensive eradication program. Federal regulations prohibit interstate movement of most fruits, nuts, vegetables, and berries from quarantined areas unless they are accompanied by a certificate or a limited permit issued by a USDA inspector, or meet other conditions established by the quarantine regulations. Florida quarantine regulations prohibit the movement of regulated articles within the State.

Rangeland Grasshopper Control--On April 20, USDA officials announced that they have decided to use integrated pest management techniques to control grasshopper and Mormon cricket populations on Western rangeland. Grasshoppers and Mormon crickets are destructive pests of rangeland, forage, and crops. APHIS cooperates with State departments of agriculture, Federal land managers, and private landowners in surveying for the pests and

assisting in the management of populations to reduce economic damage to the rangeland and adjacent crops.

FINANCE

CCC Interest Rates--Interest rates on commodity loans disbursed by the CCC have steadily increased over the last 6 months. The rate for November and December 1986 was 5-3/4 percent. It increased to 5-7/8 percent for January, February, and March. The rate increased again in April to 6 percent. The monthly rates reflect the interest rate charged the CCC by the U.S. Treasury.

REA Notes--On December 30, 1986, USDA issued an interim rule allowing discounted prepayments on Rural Electrification Administration (REA) notes. The rule, in effect through September 30, allows borrowers to prepay, at a discounted rate, outstanding REA notes with private financing.

On January 14, USDA issued the final rule allowing prepayment of loans made by the Treasury Department's Federal Financing Bank (FFB). Under provisions of the Omnibus Budget Reconciliation Act of 1986, FFB loans guaranteed by REA amounting to \$2 billion would be prepaid during FY1987. The final rule established criteria to ensure that the mandated \$2 billion is directed to cooperative borrowers in greatest need. In addition, to be eligible to prepay FFB loans, borrowers must have a loan outstanding as of July 2, 1986; use private capital to replace the loan; and certify that any savings from prepayment will be either passed on to customers or, in cases of financial hardship, used to improve the financial strength of the organization.

1987 FmHA Emergency Loans--Farmers seeking disaster emergency loans from FmHA for crop losses in 1987 will need to have crop insurance if it is available, USDA announced on January 7. All family-size farmers need to be aware that a newly-effective provision of the Food Security Act of 1985 prohibits emergency loans for crop losses that could have been insured under multiple-peril crop insurance programs sponsored by the Federal Crop Insurance Corporation. Federally-subsidized multiple-peril crop insurance is now available for all wheat, corn, barley, grain sorghum, oats, upland cotton and rice, plus an additional 35 specialty crops in most growing areas. If a farmer obtains the insurance required, and if the value of his/her crop loss is still 30 percent or more after the insurance payment, the operation will be eligible for consideration for an emergency loan. Effective January 1, 1987, the new requirement affects crops planted in 1987, and thus will not affect winter wheat or other winter-seeded crops planted in 1986 and harvested in 1987. Insurance must be multiple-peril, covering most forms of disaster, rather than hail-only.

Advisor Selected for FmHA Housing Loan Sales--USDA on January 23 selected Kidder, Peabody & Co., Inc., to serve as a financial advisor to FmHA in the sale of loans from its rural housing portfolio. Kidder, Peabody will assist the agency in planning and carrying out the sale of loans from the Rural Housing Insurance Fund, a revolving fund used to finance loans to low-income rural residents to purchase or repair homes, and to construct rural rental housing. Kidder, Peabody is a New York investment banking firm with broad experience in marketing mortgage loans and in financial markets management.

The budget reconciliation act passed by Congress in October 1986 requires FmHA to sell enough loans from the housing fund to net \$1.7 billion toward deficit reduction. The legislation calls for the sale to be completed during FY1987, which ends September 30.

FmHA Credit Regulations--During January, USDA proposed revisions in its Federal farm credit regulations, with comments due March 17. The proposed regulatory changes would affect farmers several ways, including:

- Cutting red tape by reducing the need for time-consuming processing of applications that will not qualify under existing FmHA standards.

- Expanding opportunities for consolidating and reducing interest rates. Currently, multiple loans can be consolidated only if they have the same interest rates.

- Permitting borrowers to cancel part of their indebtedness by conveying to the Secretary a long-term easement for conservation, wildlife, or recreation purposes.

- Permitting borrowers in some cases to use real estate to collateralize a guaranteed or direct loan. This allows more flexibility for farmers to restructure their debts.

- Permitting former farmers to remain active FmHA borrowers by arranging for accelerated repayment agreements.

- Allowing lenders more flexibility in restructuring payment agreements.

\$22.4 Million to Boost Rural Economy--USDA conditionally approved \$22.4 million in loan guarantees and grants on April 13 to improve business, industry, and employment opportunities in rural areas of 11 States. FmHA will issue loan guarantees of \$9 million to the Midwest Minnesota Community Development Corporation of Detroit Lakes, Minnesota, and \$4 million to the Southern Development Foundation of Lafayette, Louisiana, upon approval of conditions relating to repayment, security requirements, audits, loan servicing, and the like by the lenders and the two organizations. In addition, FmHA has tentatively approved grants to finance technical assistance of \$5 million for the Minnesota corporation and \$4.4 million for the Louisiana foundation. Both organizations will act as relenders through State affiliates which will use the funds to create or expand businesses in rural areas, stimulate innovative business and entrepreneurial practices, provide employment opportunities for displaced farm families, and supplement farm family income whenever possible. Midwest Minnesota will serve affiliates in Minnesota, Illinois, and North Dakota. Southern Development affiliates are in Louisiana, Alabama, Florida, Georgia, Kentucky, Mississippi, South Carolina, and Tennessee. Financial assistance will be limited to 75 percent of a local project's costs or \$500,000, whichever is smaller. The guarantee authority comes from FmHA's Nonprofit National Corporation Loan and Grant Program.

FmHA Operating Loan Funds--A national reserve loan fund will be created by consolidating all unused direct farm operating loan funds, FmHA announced on April 24. States with large amounts of unobligated funds will share with those States where the need is greatest. Although some States have exhausted their original allocations of operating loan funds, overall FmHA has ample funds. About \$200 million in direct operating funds may be consolidated for redistribution on a needs basis. More than \$1 billion in direct and \$700 million in guaranteed operating loans have already been

obligated this season.

NUTRITION

Cooked Sausage Products--On November 21, 1986, USDA proposed allowing meat processors to make lower fat hot dogs, bologna, and other cooked sausage products, as long as labels on the products meet USDA rules for lean and lower fat claims. The proposal would allow processors to increase the amount of added water in cooked sausage products above the current 10 percent limit. As a result, processors would be able to reduce the fat content in products by replacing fat with added water. The flavor and nutritional content of the products would remain comparable to other cooked sausages. The proposal would allow the use of a 40 percent fat and added water combination in these products. The maximum fat content in the finished product would continue to be restricted to 30 percent. The labels of cooked sausage products prepared under the proposed rules would have to comply with USDA's new labeling policy for lean and lower fat claims. In March 1986, USDA restricted its definitions for fat claims that can be used on meat and poultry products, giving processors one year to change their labels. The terms "lite," "light," "leaner," and "lower fat," can be used on cooked sausage products if the products contain at least 25 percent less fat than similar products in the marketplace. When using these terms, processors need to include a statement explaining the comparison on the product's label. Also, USDA is soliciting public comment on the option of eliminating the standard for frankfurters, since no standard exists for setting maximum content for fat or water added to products made with poultry meat such as chicken frankfurters. The Department is also seeking comments on labeling alternatives for products without a standard. Comments are due by June 22.

Vitamin E Dispersant in Bacon Cures--USDA proposed on December 15, 1986, allowing the use of silicon dioxide in bacon curing mixes containing vitamin E to help distribute the vitamin more evenly in curing solutions for pumped bacon. When dry curing mixes containing vitamin E are dissolved in water, the oily, water-insoluble vitamin cluster. Silicon dioxide would help disperse the vitamin, so that it would be distributed more uniformly in pumped bacon. The proposal would allow dry curing mixes to contain up to four percent silicon dioxide. FDA had approved the substance for use in food. Vitamin E is used in bacon cures to help prevent the formation of nitrosamines when bacon is fried. Comments were due February 17.

Cured Pork Products--On March 2, USDA proposed three minor changes in its standards and labeling requirements for cured pork products. First, the proposed rule would eliminate the current 2-percent limitation on the amount of sweeteners, such as corn syrup, added to chopped ham. The limitation is unnecessary because the regulations for cured pork products already control these substances within that limit. Second, the proposal would give processors the option of reducing the size of qualifying statements, such as "with natural juices." As an alternative to using three-eighths inch lettering currently required for these statements, processors would be able to reduce the lettering to one-third the size of the product name. This option would continue to ensure prominent labeling of all products, while providing the flexibility needed for small containers or packages. Finally,

for cured pork products sold in delicatessen cases, the proposal would drop the requirement for full-length labeling of the qualifying statement. This requirement serves little purpose since these products normally do not remain in their original packages. Also, deleting the requirement would make labeling for cured pork products comparable to that for cured beef and similar delicatessen products that are not subject to full-length labeling of qualifying statements. Comments were due April 28.

Pizza Proposal Withdrawn--On April 18, USDA withdrew a 1983 proposal to establish a minimum requirement for the amount of cheese used in meat pizzas and to review labeling requirements for meat and poultry products containing cheese substitutes. After reviewing and evaluating the arguments for and against the proposal, USDA concluded that public comments in opposition to the proposed rule were persuasive, and that the proposed new requirements are not necessary. Therefore, USDA decided to withdraw the proposal and terminate the proceedings. The proposal would have required meat pizzas to contain at least 12 percent cooked meat and at least 12 percent cheese, of which at least 6 percent had to be natural cheese. The proposal would have also required more prominent labeling for meat and poultry products containing cheese substitutes and imitation cheeses.

National Food and Agriculture Exposition--Secretary Lyng spoke at the opening ceremony of the 1987 National Food and Agriculture Exposition in Seattle, Washington, April 29. The exposition is the largest food show in the United States and likely generated millions of dollars in export sales for U.S. agriculture. More than 1,500 foreign and domestic buyers were expected to attend. The 3-day exposition was sponsored by the National Association of State Departments of Agriculture (NASDA) and the Foreign Agricultural Service (FAS). The NASDA expo concentrated on exports of "high-value" and "value-added" U.S. foods. The expo was targeted to smaller scale U.S. producers of high-quality, often regional and gourmet specialties.

Food Consumption Survey--In April, USDA began a 1-year nationwide survey of food consumption by Americans. Conducted at approximately 10-year intervals, the survey is the nation's primary source of information on the consumption of foods and nutrients and on the dietary status of U.S. households and individuals. The survey will also find out what households pay for food and when, where, and with whom household members eat. The 1987 survey will be the seventh nationwide food consumption survey. Data from earlier surveys--1935-36, 1942, 1948, 1955, 1965-66, and 1977-78--have provided the principle statistical sources for evaluating and developing national food and nutrition policies. Data collectors will visit 9,600 households to gather information on food consumption by household and by individual household members.

INTERNATIONAL

Japan Increases Market Access for U.S. Cherries--Secretary Lyng announced on December 5, 1986, that Japan will permit earlier entry of U.S. fresh cherries, beginning with the 1987 marketing year. Lyng said the understanding between the two countries allows U.S. cherries to enter Japan beginning on May 25, instead of July 1. The entry date will move up one day

each year for the next 4 years. In 1992, all entry dates for U.S. cherries will be eliminated. Japan could become an important market for California cherries, particularly during the late May and early June period when California cheery supplies peak.

Belgium Removed from List of Countries with African Swine Fever--On December 18, 1986, USDA removed Belgium from the list of countries where African swine fever is known to exist, and amended the regulations on the importation of swine, pork, and pork products from that country. The action was taken because of a successful eradication effort undertaken by Belgium after an African swine fever outbreak in early 1985. However, the importation of pork and pork products from Belgium will still be subject to certain restrictions because of the presence of foot-and-mouth disease, hog cholera, and swine vesicular disease.

Two Ports of Entry for Canadian Animals Eliminated--On December 22, 1986, USDA removed Ogdensburg and Rooseveltown, New York, from the list of border ports approved for the entry of animals from Canada. The action was taken because the limited use of the two ports makes their continued operation impractical. The ports at Alexandria Bay and Champlain, New York, will provide the inspection services previously available at Ogdensburg and Rooseveltown. Twenty-four ports are now approved for importation of animals from Canada.

Chile Free of Foot-and-Mouth Disease--USDA recognized Chile as free of foot-and-mouth disease on January 28, thus removing restrictions on the importation of Chilean cattle, sheep, and meat from these animals into the United States. Chile's record of remaining free of foot-and-mouth disease since May 1984 indicates the country has eradicated the disease and has undertaken appropriate precautions to prevent its reintroduction. Also, USDA is proposing to allow the importation of llamas and alpacas from Chile if specific health certification, testing, and quarantine criteria are met. Under the proposal, imported llamas and alpacas would have to undergo rigorous testing and a 60-day quarantine before leaving Chile, and further testing and a minimum 30-day quarantine after arriving in the United States. APHIS anticipates the number of llamas and alpacas that importers wish to bring into the country will exceed the capacity of agency quarantine facilities. Therefore, USDA is proposing to establish a lottery system under which quarantine spaces would be awarded. Comments were due March 24.

U.S.-EC Agreement--Secretary Lyng announced on January 29 that the United States and the European Community (EC) reached an agreement on a settlement of U.S. claims for lost trade resulting from Spain and Portugal's accession to the EC. The agreement is in two parts; the first deals with the EC's restoration of the tariff bindings of the EC-10, which are of major interest to the United States and their extension to Spain and Portugal. Important agricultural products such as soybeans and corn gluten feed will now enter duty free into Spain and Portugal as well as the EC-10. In the second part of the agreement the EC will ensure annual imports of 2.0 million metric tons of corn and 300,000 metric tons of sorghum into Spain from the United States and other third country suppliers. USDA expects the United States to continue to be the major supplier of imports under this arrangement. In addition, the EC has dropped its requirement that Portugal purchase at least 15 percent of its feed grain imports from the Community, which the EC

estimates should provide another 400,000 metric tons of sales.

New Export Program for Dairy Products--USDA announced a new export incentive program to promote exports of U.S. dairy products on March 4. The Dairy Export Incentive Program (DEIP) will help promote exports of U.S. dairy products by enabling exporters to meet prevailing world prices for targeted dairy products to 37 selected destinations. The export sales of dairy products from commercial sources will be subsidized with dairy products from CCC inventory. The bulk dairy products eligible under the DEIP are butter, butteroil, anhydrous milkfat, nonfat dry milk, whole milk powder, cheddar cheese, and bulk American cheese for manufacturing. The following dairy products, countries, and quantities available for each country have been determined eligible for DEIP.

Butter-Butteroil and Anhydrous Milkfat

Country	Quantity (Metric tons)	Country	Quantity (Metric tons)
Algeria	37,500	Peru	2,000
Bahamas	800	Saudi Arabia	20,000
Chile	3,000	Senegal	2,000
Egypt	29,500	Somalia	1,000
Jordan	2,500	Thailand	2,500
Kuwait	3,000	Trinidad and Tobago	1,500
Mexico	9,500	Tunisia	2,500
Morocco	13,000	United Arab Emirates	3,500
Nigeria	2,500	Venezuela	300
Pakistan	2,500	Yemen	2,500
Panama	600		

Nonfat Dry Milk and Whole Milk Powder

Country	Quantity (Metric tons)	Country	Quantity (Metric tons)
Algeria	72,000	Pakistan	10,500
Bahamas	400	Peru	14,000
Bangladesh	5,000	Saudi Arabia	54,000
Bermuda	300	Senegal	8,000
Chile	7,000	Somalia	3,000
Colombia	5,000	Sri Lanka	10,000
Ecuador	1,500	Sudan	8,000
Egypt	3,500	Tanzania	2,000
Honduras	2,000	Thailand	17,000
Jordan	9,000	Trinidad and Tobago	7,000
Kenya	2,000	Tunisia	7,000
Kuwait	8,000	Turkey	500
Mauritius	5,000	United Arab Emirates	10,500
Morocco	5,500	Venezuela	67,000
Mozambique	2,500	Yemen	12,000
Nigeria	19,000		

Cheddar Cheese and Bulk American Cheese for Manufacturing

Country	Quantity (Metric tons)	Country	Quantity (Metric tons)
Chile	500	Mexico	500
Bahamas	500	Oman	1,000
Bermuda	200	Panama	1,500
Cyprus	2,500	Trinidad and Tobago	3,000
Egypt	33,500	Tunisia	2,000
Jordan	5,000	Turkey	1,500
Kuwait	9,000	Venezuela	9,000
Malta	2,500	Yemen	1,500

P.L. 480 Allocations for Fiscal 1987--USDA on April 6 issued revised country and commodity allocations for FY1987 under Titles I and III of Public Law 480, the Food for Peace Program. Current program plans provide for distribution of \$826.2 million in commodity shipments. Of the current amount, \$764.4 million is presently allocated and \$61.8 million is being held in a reserve to furnish commodities for unforeseen needs during the remainder of the fiscal year. There has been an increase in the allocations for Indonesia, Morocco, Sri Lanka, and Tunisia and minor quantity changes were made for some other countries. Title I of P.L. 480 is a concessional sales program designed to promote exports of agricultural commodities from the United States and to foster economic development in recipient countries. The program provides loans of up to 40 years, with a grace period of up to 10 years and low interest rates. Title III provides for the forgiveness of the debt incurred under Title I, based on accomplishments in food for development programs and projects agreed upon by the United States and recipient countries.

Garbage Handling Regulations--On April 16, USDA proposed amending its regulations on the storage and disposal of garbage on ships and other carriers to include unconsumed food prepared for passengers and crew on aircraft. The changes would also clarify rules for garbage disposal. Garbage from any place outside the continental United States and Canada could spread animal and plant pests and diseases to livestock and crops. Therefore, USDA requires that it be kept in secure containers while it is in this country and that disposal be by incineration, sterilization, or grinding into an approved sewage system. Certain garbage is exempt from the regulations--for example, garbage on vessels that travel exclusively between continental U.S. and Canadian ports. Under the proposal, certain other exemptions would also be granted. For example, garbage on vessels that have been cleaned and disinfected would be exempt. The proposal would also clarify the status of garbage from ships that call at more than one U.S. port. Garbage from ships that stop in numerous U.S. cities is regulated at the first and at all subsequent ports because plant pests and disease organisms could remain behind. Written comments were due May 20.

Definitions for Agricultural Terms in Immigration Act--USDA proposed on April 21 definitions of "fruits, vegetables, and other perishable commodities." Under the 1986 Immigration Reform Act, the definitions would determine in part the criteria for eligibility for temporary legal status of

qualified aliens involved in seasonal agricultural work in the United States. The 1986 Act recognized that some of the seasonal workers involved in producing and harvesting U.S. agricultural commodities are illegal aliens. The Act allows temporary legal status for qualified aliens who performed seasonal agricultural services in the United States for specified periods of time before May 1, 1986. In the language of the Act, seasonal agricultural services is defined as "field work related to planting, cultural practices, cultivating, growing, and harvesting of fruits and vegetables of every kind and other perishable commodities, as defined in regulations by the Secretary of Agriculture." USDA's proposal sets forth regulations defining certain agricultural terms required by the Act. The following terms are specified or defined in the proposal:

-- "Other perishable commodities" are those commodities that do not meet the definition of fruits or vegetables, that are produced as a result of seasonal field work, and for which the cultivation and production entail critical and unpredictable labor demands. The proposed list includes: Christmas trees, cut flowers, herbs, hops, horticultural specialties, spanish reeds, spices, sugarbeets, and tobacco. Excluded from the definition of "other perishable commodities" would be commodities that are not produced as a result of field work, or for which production and harvesting do not entail critical and unpredictable labor demands. These include aquacultural products, birds, cotton, dairy products, earthworms, fish (including oysters and shellfish), fur-bearing animals and rabbits, hay and other forage and silage, honey, horses and other equines, livestock of all kinds including animal specialties, poultry and poultry products, trees, soybeans, sugar cane, wildlife, and wool.

-- "Critical and unpredictable labor demands" refers to a 60-day period when field work is to be initiated which cannot be predicted with certainty.

-- "Field work" is any employment performed on agricultural lands for planting, cultural practices, cultivating, growing, harvesting, drying, processing, or packing any fruits, vegetables, or other perishable commodities. Field work has to be performed on agricultural land to produce fruits, vegetables, and other perishable commodities. Field work does not refer to activities that occur in a processing plant or packinghouse. However, drying, processing, or packing in the field and on-field loading of transportation vehicles are included in the definition of field work.

-- "Fruits" are the edible (by humans) parts of plants that consist of the mature ovaries and fused other parts of structures which develop from flowers or inflorescence.

-- "Vegetables" are the edible (by humans) leaves, stems, roots or tubers of herbaceous plants.

-- "Horticultural specialties" are field-grown, containerized, and greenhouse-produced nursery crops including juvenile trees; shrubs; seedlings; budding, grafting, and understock; fruit and nut trees; small fruit plants; vines; groundcovers; foliage and potted plants; cut flowers; herbaceous annuals; biennials and perennials; bulbs; corms; and tubers.

-- "Seasonal" refers to employment performed exclusively at certain seasons or periods of the year. The proposed rule notes that a worker who moves from one seasonal activity to another while employed in agriculture or performing agricultural labor is employed on a seasonal basis even though the employment may continue throughout the year. Comments were due May 13.

Targeted Export Assistance for FY1987--On April 21, USDA announced 36 projects that will receive \$110 million in Targeted Export Assistance (TEA) allocations for fiscal 1987. As required by the Food Security Act of 1985, USDA provides \$110 million in CCC funds or commodities each year to counter or offset the adverse effects of unfair foreign trade practices. Promotion efforts will be carried out for a wide range of U.S. agricultural commodities. To be considered for a TEA allocation, industry representatives submitted project proposals to USDA. USDA evaluated those proposals using several criteria: 1) identification of an unfair foreign trade practice and how it adversely affected exports, 2) the organization's willingness to contribute resources to the joint project, and ability to represent U.S. producer interests on a commodity or nationwide basis, prior export development experience and ability to handle the program, and 3) the prospects for the project's success in increasing exports or mitigating the unfair trade practice. The TEA program will be administered by FAS through cooperative agreements between the CCC and the agricultural industry representatives listed below.

Participant	Commodities	Amount (million dollars)
Alaskan Seafood Marketing Institute	Salmon, pollock, and herring	1.50
American Plywood Association/ Hardwood Export Trade Council	Structural panel and lumber products, decorative hardwoods	1.98
American Seed Trade Association	Seeds for planting (forage, turf, field, and vegetable)	0.35
California Avocado Commission	Avocados	0.42
California Cling Peach Advisory Board	Processed cling peaches and fruit cocktail	5.60
California Kiwifruit Commission	Kiwifruit	0.50
California Pistachio Commission	Pistachios, shelled and in shell	0.20
California Prune Board	Prunes	4.50
California Raisin Advisory Board	Raisins	9.80
California Table Grape Commission	Table grapes	0.45
Cotton Council International	Cotton	6.80
Eastern United States Agricultural and Food Export Council	High-valued foods	1.00
Export Incentive Program (by application)	Almonds	4.18
Export Incentive Program (by application)	California and Arizona citrus	10.50
Florida Department of Citrus	Florida fresh and processed citrus (primarily fresh grapefruit)	7.00
Leather Industries of America	Leather (sheetgoods)	1.50
Mid-America International Agri-Trade Council	High-valued foods	1.20

Participant	Commodities	Amount (million dollars)
National Hay Association	Hay and hay products	0.30
National Peanut Council	Peanuts and peanut products	4.50
National Potato Promotion Board	Potatoes	2.55
National Sunflower Association	Sunflowerseed and products	3.00
Northwest Horticultural Council	Fresh pears	0.40
Northwest Horticultural Council	Fresh apples	1.50
Northwest Horticultural Council	Fresh cherries	0.12
Southern United States Trade Association	High-valued foods	0.80
Tobacco Associates	Tobacco leaf	0.90
U.S. Dry Pea and Lentil Council	Dry peas and lentils	2.50
U.S. Feed Grains Council	Corn, sorghum, and barley	2.80
U.S. Meat Export Federation	Red meats, variety meats, and meat products	7.00
U.S. Mink Industry	Mink furskins (pelts)	1.50
U.S. Poultry and Egg Export Council	Poultry, eggs, and products	6.50
U.S. Rice Council	Rice	3.50
U.S. Wheat Associates	Wheat	3.10
Walnut Marketing Board	Walnuts	7.00
Western United States Agricultural Trade Association	High-valued foods	1.95
Wine Institute	Wine (California)	2.60

Dairy and Meat Sales--A sale of \$3.5 million worth of nonfat dry milk to Austria was announced by USDA on November 26, 1986. The sales was made by the CCC to the Osterreichischer Molkerei-und Kasereiverband (OEMOLK), an Austrian firm. The 22,046,000 pounds of standard grade nonfat dry milk will be used to feed calves. Delivery will be made from January through June.

A sale of \$5.2 million worth of nonfat dry milk to Brazil was announced by USDA on December 19, 1986. The sale was made by the CCC to the Sociedade Productora de Alimentos Manhuacu (SPAM), a Brazilian importer of dairy products. The sale was for 16.5 million pounds (7,500 metric tons). The nonfat dry milk, part of the surplus inventory acquired under the CCC dairy price support program, sold for \$690 per ton f.a.s. (free along side) vessel at U.S. ports of export. Deliveries were made through January 5. Further sales of nonfat dry milk to Brazil, totaling \$69.8 million, were announced by USDA on December, 24, 1986. Sales were again made to SPAM and to Petrobras Comercio Internacional S.S.-Interbras (INTERBRAS). The sales total 220.4 million pounds (100,000 metric tons). The nonfat dry milk sold for an average price of \$697.50 per ton, f.a.s., vessel at U.S. ports of export. Deliveries will be made from February through December. For the 50,000 tons sold to INTERBRAS, CCC extended 3-year deferred payment arrangements at commercial rates of interest.

USDA announced a sale of \$43 million worth of nonfat dry milk to Mexico on February 4. The sale was made to Conasupo, the Mexican government's food purchasing agency. The 50,000 metric tons (110.2 million pounds) were sold for \$860 per ton, f.o.b. (free on board) railcar, at U.S.-Mexican border points. Deliveries will be made through December. The CCC extended Conasupo 3-year deferred payment arrangements at commercial rates of interest.

On April 10, USDA announced that it has sold Antigua, Belize, Dominica, Grenada, Haiti, St. Lucia, and St. Vincent 12,650 metric tons (27,888,190 pounds) of beef and 5,000 metric tons (11,023,000 pounds) of pork. The sale is part of the 200 million pounds of red meat mandated for export by the Food Security Act of 1985 to minimize the adverse effects of the Dairy Termination Program on U.S. livestock producers. The beef sale is composed of 8,855 metric tons of steer and heifer beef and 3,795 metric tons of cow beef. The beef sold for \$1,015 per metric ton. The pork sale is composed of 2,500 metric tons of hams and 2,500 metric tons of pork shoulders. The pork sold for \$930 per metric ton. Delivery, which is f.o.b. vessel, will be made from May through September.

Export Enhancement Program--USDA made several sales offers in the last 6 months to various countries under its Export Enhancement Program. Sales are made at competitive world prices, but U.S. exporters receive gratis CCC commodities to help them compete in the country's markets. The following offers have been made:

Date	Country	Commodity
Nov 10	Algeria	300,000 metric tons of durum wheat
Dec 1	Tunisia	150,000 metric tons of barley
Dec 9	Morocco	790,000 metric tons of wheat
Dec 9	Dominican Republic	25 million table eggs
Dec 9	Tanzania	20,000 metric tons of wheat flour
Dec 19	Egypt	25,000 metric tons of frozen broiler or fryer parts
Dec 22	Iraq	30,000 metric tons of frozen whole broilers/fryers and 30,000 metric tons of broiler/ fryer parts
Dec 23	Romania	250,000 metric tons of wheat
Dec 31	Jordan	225,000 metric tons of wheat
Dec 31	Poland	200,000 metric tons of sorghum and/or barley
Jan 5	Saudi Arabia	1,250,000 metric tons of barley
Jan 7	Iraq	175,000 metric tons of wheat flour
Jan 7	Poland	500,000 metric tons of wheat
Jan 13	Jordan	60,000 metric tons of rice
Jan 16	Switzerland	250,000 metric tons of barley and/or sorghum
Jan 16	Iraq	800,000 metric tons of wheat
Jan 26	China	1,000,000 metric tons of wheat
Jan 28	Yemen	100,000 metric tons of wheat
Jan 28	Nigeria	500,000 metric tons of wheat

Date	Country	Commodity
Feb 9	Canary Islands (Spain)	5,000 metric tons of frozen broiler or fryer legs
Feb 20	Iraq	189 million table eggs
Feb 27	Egypt	6,000 metric tons of frozen poultry meat
Mar 5	Sri Lanka	95,000 metric tons of wheat
Mar 16	Algeria	300,000 metric tons of durum wheat
Apr 3	Colombia	15,000 metric tons of barley malt
Apr 3	Turkey	70,000 metric tons of medium grain milled rice
Apr 30	Soviet Union	4,000,000 metric tons of wheat

DEPARTMENTAL ACTIONS

Outlook Conference--USDA's 63rd Annual Agricultural Outlook Conference--which was held December 2-4, 1986--focused on the 1987 commodity outlook, long-term prospects for agriculture, and marketing issues. It featured distinguished speakers from government, industry, and other countries. At the opening session, Rudolph G. Penner, director of the Congressional Budget Office, discussed the U.S. economic outlook; James R. Donald, chairperson of the World Agricultural Outlook Board, presented the world and U.S. agricultural outlook; and Richard W. Goldberg, Deputy Under Secretary of Agriculture, gave the outlook for U.S. agricultural trade. A special session on December 2 examined how global forces are shaping U.S. agriculture in the late 1980's.

USDA Small-Scale Farming Office--On December 9, 1986, Secretary Lyng announced the formation of an Office for Small-Scale Agriculture. The new office will work with other USDA agencies to focus Department expertise and resources on issues concerning small-scale farming, and will coordinate its functions with other rural development activities within USDA. The office will be headed by Program Director Howard (Bud) W. Kerr Jr., an agricultural economist specializing in small-farming operations. Kerr said the office will assess and disseminate information on research, education, and technological developments of interest to small- and medium-sized farm operators. Support for the new office will be provided by the Small Farm Resources Development Working Group, consisting of representatives from several USDA agencies.

Electronic On-Line Information--A computerized service offering information about international agricultural trade is now available, a USDA official announced on January 16. The new computerized data base, named "Agtrade," makes available to subscribers a wide variety of international trade information, including speeches, policy statements, feature stories, world agricultural production and trade data, supply and demand estimates, and data on national productivity and debt. Agtrade is available through a computerized information service called "USDA Online," which offers USDA press releases, crop and livestock reports, and a host of other economic and statistical reports, in addition to a data base containing both hard and soft news on food and nutrition, animal health, a two-page daily briefing on

top agriculture stories in the news, a list of upcoming agricultural events, a list of agricultural facts for writers and editors, and a directory telling who to call at USDA for specific information.

USDA announced on April 7 that its market reports on daily prices and supply and demand estimates for fruits, vegetables livestock, meat, dairy products, poultry, grain, feed, cotton, and tobacco are now available through both USDA's electronic dissemination of information (EDI) service for news media and other information distributors, and its "USDA Online" service. The information is available through standard telephone connections with personal computers, communicating word processors, or terminals hooked to modems virtually anywhere in the United States. Reports may be accessed through the EDI service at high transmission speeds--up to 9600-baud--and downloaded automatically to the user's computer according to a predesigned profile. The profile also can include other USDA reports, such as foreign agricultural trade leads, crop and livestock statistical reports, economic outlook and situation reports, price support loan and certificate exchange reports, and national and regional USDA news releases. The "USDA Online" service, designed to serve USDA offices, other Federal and State governmental agencies, land grant universities, libraries and others wanting current information from USDA and its agencies, is available at lower transmission speeds--generally not exceeding 1200-baud. This service has text keyword searching, which lets those accessing ask for the market reports by specific commodity. Therefore, users can reach the information they want quickly. Those who want to get the USDA information electronically must have an account with the USDA computer service contractors. For further information about the EDI service, call for the EDI representative at (301) 982-6541. For information about the "USDA Online" service, call for the USDA representative at (202) 488-0550.

AGRICULTURE - FOOD POLICY UPDATE: LEGISLATION
by Tom Fulton*

Holding of Certain Public Lands for the Pueblo of Zia, Declaration--(P.L. 99-600).

This law declares that the United States hold certain public domain lands in trust for the Pueblo of Zia.

Immigration Reform and Control Act of 1986--(P.L. 99-603).

This law amends the Immigration and Nationality Act to revise and reform the immigration laws including those governing the employment of aliens in agriculture.

Wetlands Loan Act, Amendment--(P.L. 99-625).

This law is designed to improve the operation of certain fish and wildlife programs.

Town of Payson, Arizona, Transfer of Land--(P.L. 99-632).

This law provides for the transfer of certain lands in the State of Arizona.

Olympic National Park and Olympic National Forest, Revision of Boundaries--(P.L. 99-635).

This law revises the boundaries of Olympic National Park and Olympic National Forest in the State of Washington.

Futures Trading Act of 1986; Grain Quality Improvement Act of 1986; Processed Products Inspection Improvement Act of 1986--(P.L. 99-641).

This law reauthorizes appropriations to carry out the Commodity Exchange Act, and to make technical improvements to that act.

Emergency Wetlands Resources Act of 1986--(P.L. 99-645).

This law promotes the conservation of migratory waterfowl and offsets or prevents the loss of wetlands and other essential habitat.

Lower Colorado Water Supply Act--(P.L. 99-655).

This law affects the Colorado river.

Defense Procurement Improvement Act of 1986; Department of Energy National Security and Military Applications of Nuclear Energy Authorization Act of 1987; Strategic and Critical Materials Stock Piling Amendments of 1986; Bill Nichols Department of Defense Reorganization Act of 1986; Dan Daniel Special Operations Forces Act; National Defense Authorization Act for Fiscal Year 1987; Military Construction Authorization Act, 1987; Child Nutrition Amendments of 1986--(P.L. 99-661).

This law authorizes appropriations for fiscal year 1987 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes including amendments to child nutrition programs.

* Social Science Analyst, Food and Agricultural Policy Branch, NED, ERS.

Water Resources Development Act of 1986--(P.L. 99-662).

This law provides for the conservation and development of water and related resources and the improvement and rehabilitation of the Nation's water resources infrastructure.

Columbia River Gorge National Scenic Area Act--(P.L. 99-663).

This law protects and provides for the enhancement of the resources of the Columbia River Gorge.

Haida Land Exchange Act of 1986--(P.L. 99-664).

This law provides for a land exchange in the State of Alaska.

Water Quality Act of 1987--(P.L. 100-4).

This law provides funding for a renewal of the quality of the Nation's waters.

100th Anniversary of the Hatch Act, Recognition--(P.L. 100-7).

This is a joint resolution to recognize the 100th anniversary of the enactment of the Hatch Act of March 2, 1887, and its role in establishing the Nation's system of State agricultural experiment stations.

National Know Your Cholesterol Week, Designation--(P.L. 100-13).

This is a joint resolution designating the week of April 5, 1987, through April 11, 1987, as "National Know Your Cholesterol Week".

Surface Transportation and Uniform Relocation Assistance Act of 1987; Federal-Aid Highway Act of 1987; Highway Safety Act of 1987; Federal Mass Transportation Act of 1987; Uniform Relocation Act Amendments of 1987; Highway Revenue Act of 1987--(P.L. 100-17).

This law authorizes funds for construction of highways, for highway safety programs, and for mass transportation programs, to expand and improve the Relocation Assistance Program, and for other purposes.

Food Security Act of 1985, Amendment--(P.L. 100-28).

This law amends the Food Security Act of 1985 to extend the date for submitting the report required by the National Commission on Dairy Policy.

Surface Mining Control and Reclamation Act of 1977, Amendment--(P.L. 100-34).

This law amends the Surface Mining Control and Reclamation Act of 1977 to permit States to set aside in a special trust fund up to 10 percent of the annual State funds from the abandoned mine land reclamation fund for expenditure in the future for purposes of abandoned mine reclamation.

POLICY RESEARCH PUBLICATIONS AVAILABLE

Compiled by R. G. F. Spitze and Tom Fulton

Abdalla, Charles W., Douglas B. Beegle and William T. McSweeney. "Policy Choices: Animal Agriculture and Ground Water Quality." Pennsylvania Farm Economics.

Request a copy of this article from Charles W. Abdalla, 1 Weaver Building, Department of Agricultural Economics and Rural Sociology, Pennsylvania State University, University Park, PA 16802.

Ali, Mohammed, George E. Radosevich, and Akbar Ali Khan. Water Resources Policy for Asia. Feb. 20, 1987. A. A. Balkema Publishers. POB 1675, Rotterdam, Netherlands.

Request a copy of this book from A. A. Balkema Publishers, P. O. Box 1675, 3000 BR Rotterdam, Netherlands (charge of approximately \$60.00).

Blank, Steve and Harry W. Ayer. "The Arizona Alfalfa Hay Market: Effects of Cotton and Dairy Policies."

Request a copy of this article from Harry Ayer, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85721.

Breimyer, Harold F. "Notes for Talk on a U.S.-Canadian Bilateral Trade Agreement." November 24, 1986.

Request a copy of this paper from the author, Department of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Breimyer, Harold F. "Targeting as a Principle in Farm Policy." Paper presented to U.S. Senate Agriculture, Nutrition, and Forestry Committee, March 18, 1987.

Request a copy of this paper from the author, Department of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Browne, William P. and Don F. Hadwiger, eds. World Food Policies: Toward Agricultural Interdependence. Macmillan Press, London, 1987.

Request a copy of this book (charge) from Macmillan Press (London).

Cate, Penny. U.S. Agricultural Trade: An Overview, January 8, 1987.

Request a copy of this publication from Penny Cate, Room 423 Madison Building ENR/CRS, Library of Congress, Washington, D.C. 20540.

Cate, Penny. Upcoming World Trade Talks: What's at Stake for U.S. Agriculture, July 28, 1986.

Request a copy of this publication from Penny Cate, Room 423 Madison Building ENR/CRS, Library of Congress, Washington, D.C. 20540.

Cate, Penelope and Geoffrey Becker. Farm Problems: Agricultural Legislation in the 100th Congress.

Request a copy of this regularly updated publication from Penny Cate, Room 423 Madison Building ENR/CRS, Library of Congress, Washington, D.C. 20540.

Chicoine, David L. "Issues and Implications of the Financial Stress in Agriculture: The State-Local Government Finance Dimension." Agricultural Finance Review, 47 (Special Issue):62-71.

Request a copy of this paper from the author, 305 Mumford Hall, University of Illinois, 1301 W. Gregory Drive, Urbana, IL 61801.

Chicoine, David L. and J. Fred Giertz. Property Tax Assessment in Illinois: Structure and Performance. 1987.

Request a copy of this publication from Illinois Tax Foundation, 201 E. Adams St., Suite 350, Springfield, IL 62701.

Eaton, David, ed. A Sourcebook for Rio Grande/Rio Bravo Water Management. Policy Research Project 57.

Request a copy from David Eaton, L.B.J. School of Public Affairs, Drawer Y, University Station, University of Texas at Austin, Austin, TX 78713-7450.

Eaton, David, ed. Water Management Institutions Along the Texas/Mexico Border. Policy Research Project 56.

Request a copy of this publication from David Eaton, LBJ School of Public Affairs, Drawer Y, University Station, The University of Texas at Austin, Austin, TX 78713-7450.

Guither, Harold D. Tough Choices, Writing the Food Security Act of 1985. Occasional Papers, Economic Policy Series, December, 1986.

Request a copy (charge of \$4.00) of this book from the American Enterprise Institute, 1150 Seventeenth St., N.W., Washington, D.C. 20036.

Hadwiger, Don F., William P. Browne and Lynne Rienner, eds. Public Policy and Agricultural Technology. Macmillan Press, London, 1987.

Request a copy of this book (charge) from Macmillan Press (London).

Jagger, Craig and Kenneth Robinson. "Long-Range Land Retirement as a Solution to the Wheat Surplus Problem." A.E. Res. 86-31, December, 1986.

Request a copy of this article from Kenneth L. Robinson, 40 Warren Hall, Department of Agricultural Economics, Cornell University, Ithaca, NY 14853.

Leistritz, Larry F. Financial, Managerial, and Attitudinal Characteristics of North Dakota Farm Families: Results of the 1986 Farm Survey. Agr. Econ. Rpt. 222, April, 1987; Selected Socioeconomic Characteristics of North Dakota Residents. Agr. Econ. Rpt. 218, February, 1987.

Request copies of these reports from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, P. O. Box 5636, Fargo, ND 58105.

Leistritz, Larry F. Selected Characteristics of Business Operators in North Dakota Agricultural Trade Centers. Agr. Econ. Rpt. 217, January, 1987.

Request a copy of this report from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, P. O. Box 5636, Fargo, ND 58105.

Leistritz, Larry F. (1) Economic Impact of North Dakota Laws that Permit Delayed or Partial Repayment of Agricultural Debt - July 1, 1986. Agr. Econ. Rpt. 216, January, 1987; (2) Families Displaced from Farming in North Dakota: Characteristics and Adjustment Experiences, Agr. Econ. Rpt. 220, March, 1987; (3) Causes and Consequences of Economic Stress in Agriculture: Contrasting the Views of Rural Residents. Agr. Econ. Rpt. 219, February, 1987.

Request copies of these reports from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, P. O. box 5636, Fargo, ND 58105.

Martin, Marshall A. "Endogenous Agricultural Policy Modeling: Example of the U.S. Coarse Grains Sector". Agricultural Economics Staff Working Paper Series 87-6. January 27, 1987. Also "The International Cereal Grain Market." Agricultural Economics Staff Working Paper Series, 87-8. January 30, 1987.

Request copies of these two papers from Marshall A. Martin, Department of Agricultural Economics, 563 Krannert Building, Purdue University, West Lafayette, IN 47907.

Martin, Marshall A. "U.S. Agriculture and World Grain Trade: Implications for Spanish Agriculture." Agricultural Economics Staff Working Paper Series 87-7. January 29, 1987.

Request copy of this paper from Marshall A. Martin, Department of Agricultural Economics, 563 Krannert Building, Purdue University, West Lafayette, IN 47907.

Phipps, Tim, Pierre Crosson, and Kent Price. Agriculture and the Environment. Second Annual Policy Review of National Policy Center and a proceedings of earlier conference. April, 1987.

Request a copy of this publication (charge of \$11.50 prepaid check to RFF) from Marietta Schirf, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036.

Pitts, Joyce, et al. of Family Economics Research Group. Managing Your Personal Finances. USDA.

Request a copy of the workbook (divided into 3 sections) from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (charge of \$6.00 for complete set), or for information on availability, contact Joyce Pitts, Family Economics Research Group, Agricultural Research Service, U.S. Department of Agriculture, 6505 Belcrest Road, Room 439A, Federal Building, Hyattsville, MD 20782.

Radosevich, George E. and Kenneth S. Copple. "Understanding the Producer's Legal Rights in Foreclosure, Repossession and Bankruptcy." March, 1987. Also, "Understanding the Producer's Rights in Foreclosure and Repossession Cases." November, 1986.

Request a copy of the first article from Bette Hart, University Publication, 171 Alyesworth Hall, Colorado State University, Fort Collins, CO 80523, and the second article from ANRE, Department of Agricultural and Natural Resource Economics, Colorado State University, B320 Clark Building, Fort Collins, CO 80523.

Radesovich, George E. and Kenneth S. Copple. "Understanding the Producer's Rights Under Chapter 12 of the Bankruptcy Code." February, 1987. Also, "Understanding the Producer's Legal Rights Under H.B. 1284." ANRE B320. August, 1986.

Request a copy of these articles from ANRE, B320 Clark Building, Department of Agricultural and Natural Resource Economics, Colorado State University, Fort Collins, CO 80523.

Spitze, R. F. F. "How Agricultural and Food Policy Is Developed." Agricultural Economics Staff Paper 86 E-367. October, 1986. 9 pp.

Request this paper from the author, University of Illinois, 305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801.

Thomas, Tray W., Marshall A. Martin, and C. Richard Edwards. "The Adoption of Integrated Pest Management in Indiana". Purdue Agricultural Economics Report. February, 1987.

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USDA ERS. Embargoes, Surplus Disposal, and U.S. Agriculture. Agri. Econ. Rept. No. 567. December, 1986. Also Summary (of above). Ag. Info. Bull. No. 503. November, 1986.

Request copies of these publications from William E. Kost, ETP/IED/ERS/USDA, 1301 New York Avenue, N.W., Washington, D.C. 20005.

USDA FAS Commodity Circulars (contains market information for agricultural exporters on a commodity-by-commodity basis).

Request copies from Foreign Agricultural Service, Information Division, Room 4644-South, U.S. Department of Agriculture, Washington, D.C. 20250-1000, or for more information on availability, contact Lynn Goldsbrough, FAS Information, 4642-South, USDA, Washington, D.C. 20250-1000.

Wilson, William W. Competition in the International Wheat Market. Agricultural Economics Report No. 212. June, 1986.

Request a copy of this report from the author, Agricultural Economics, Morrill Hall, North Dakota State University, Fargo, ND 58105.

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Request a copy of this report from the author, Agricultural Economics, Morrill Hall, North Dakota State University, Fargo, ND 58105.

Wisconsin Academy of Sciences. Wisconsin Academy Review. December, 1986. Issue devoted to topics about agriculture in Wisconsin.

Request a copy of this bulletin (charge of \$4 postpaid) from Patricia Powell, Ed., Wisconsin Academy Review, 1922 University Avenue, Madison, WI 53705-4099.

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Alt, Klaus, and John Putnam. "Soil Erosion: Dramatic in Places, But Not a Serious Threat to Productivity." Agricultural Outlook, AO-129. April 1987. pp. 28-30 and 32-33.

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Colacicco, Dan, Alex Barbarika Jr., and Linda Langer. Conservation Benefits of the USDA's 1983 Payment-in-Kind and Acreage Reduction Programs. ERS Staff Report No. AGES860908. January 1987.

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Daugherty, Arthur B. Land Improvement Tax Deductions--Use and Value to the Farm Sector. ERS Staff Report No. AGES861210. January 1987.

Dicks, Michael R. Definitional Consistency for Conservation Provisions of the 1985 Food Security Act. ERS Staff Report No. AGES861214. January 1987.

Dicks, Michael R., and Katherine Reichelderfer. Issues in Agricultural Policy--Choices for Implementing the Conservation Reserve. AIB-507. March 1987.

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- Hauver, James H., James Hrubovcak, and Ron Durst. "Capital Costs Rising from Tax Law Changes," Agricultural Outlook, AO-126. December, 1986. p. 15.
- Lee, Hyunok, and Robert G. Chambers. "Expenditure Constraints and Profit Maximization in U.S. Agriculture," American Journal of Agricultural Economics. Vol., 68, No., 4. November 1986. pp. 857-865.
- McClelland, John W., Michael E. Wetzstein, and Wesley N. Musser. "Returns to Scale and Size in Agricultural Economics," Western Journal of Agricultural Economics, Vol., 11, No., 2. December 1986. pp. 129-133.
- Offutt, Susan E., and Fred Kuchler. "Issues and Developments in Biotechnology: What's an Economist to Do?" Agricultural Economics Research, Vol., 39, No., 1. Winter 1987. pp. 25-33.
- Ogg, Clayton W. "Erodible Land and State Water Quality Programs: A Linkage," Journal of Soil and Water Conservation. Vol., 41, No., 6. November-December 1986. pp. 371-373.
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- Ribaudo, Marc O. "Targeting Soil Conservation Programs," Land Economics. Vol., 62, No., 4. November 1986. pp. 402-411.
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- Shoemaker, Robbin. Effects of Changes in U.S. Agricultural Production on Demand for Farm Inputs. Technical Bulletin 1722. November, 1986.
- Shoemaker, Robbin, and Agapi Somwaru. "Total Factor Productivity and Sources of Growth in the Dairy Sector," Agricultural Economics Research, Vol., 38, No., 4, Fall 1986. pp 1-13.
- Request the following publications in writing from the Agriculture and Rural Economics Division: USDA, ERS, Room 313, 1301 New York Avenue, N.W. Washington, D.C. 20005-4788. Or call: (202) 786-1530.
- Bentley, Susan. "Income Transfers, Taxes, and the Poor," Rural Development Perspectives, Vol., 3, No., 2, February 1987.
- Cigler, B. A. Setting Smalltown Research Priorities: The Service Delivery Dimension. ERS Staff Report No. AGES860818. April 1987.
- Doekson, G. A. and J. Peterson. Critical Issues in the Delivery of Local Government Services in Rural America. ERS Staff Report No. AGES860917. January 1987.
- Freshwater, David, and David Trector. New Approaches to Financing Long-Term Farm Debt. AIB-511. March 1987.

Harrington, David, and Thomas A. Carlin. The U.S. Farm Sector: How is it Weathering the 1980's? AIB-506. April 1987.

Hoppe, Robert A. "Shifting Income Patterns: Implications for Nonmetro America," Rural Development Perspectives. Vol., 3, No., 2. February 1987.

Lee, Chin, Gerald Schluter, William Edmondson, and Darryl Wills. Measuring the Size of the U.S. Food and Fiber System. AER-566. March 1987.

Lerman, Donald L. How Well Can Alternative Policies Reduce Rural Substandard Housing? Rural Development Research Report No. 64. November 1986.

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Reimund, Donn A., Thomas A. Stucker, and Norman L. Brooks. Large-Scale Farms in Perspective. AIB-505. February 1987.

Ryan B. Estimates of Wastewater Treatment Capital Requirements in Rural America. ERS Staff Report No. AGES861218. April 1987.

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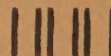
Baxter, Timothy, and Mark Smith. Exchange Rate Risk, Dollar Appreciation, and U.S. Export Credit Programs. ERS Staff Report No. AGES87_____. (forthcoming).

Smith, Mark E. Increased Role for U.S. Farm Export Programs. AIB-515. April 1987.

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